John F. Boyle, San Pierre.
Josiah J. Hostetler, Shipshewana.
Marion H. Rice, Wolcottsville.
Louis F. Fuelling, Woodburn.

MISSISSIPPI

William L. Forman, Meadville.
Clemmie A. McCoy, New Augusta.
Allen A. Edwards, Richton.
Viva H. McInnis, Rosedale.
Susie S. Burrous, West Point.

MISSOURI

Eugene K. Daniels, Ellington.
Roswell P. Lane, Naylor.
Walter E. Duncan, Newburg.

NEBRASKA

Claude L. Frack, Holbrook.

HOUSE OF REPRESENTATIVES

THURSDAY, MAY 3, 1934

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D.D., offered the following prayer:

Heavenly Father, we praise Thee that in Thy presence there is fullness of joy, at Thy right hand there are pleasures forevermore. Only as we cherish high and holy thoughts of Thee do we find a permanent rest to our souls. We thank Thee for Thy brooding love and care. Forbid that we should look on a daybreak without it quickening us to new endeavor; let it always mean to us a new-born opportunity. "Holy, Holy, Holy, Lord God Almighty!" We rejoice that this is the song of the angels, of archangels, and of all the heavenly hosts, the song of the hovel and palace, the theme of mighty anthems, the prayer of inspired masses and of the hearts of Thy appealing children. We entreat Thee, Eternal One, to hold before us this vision of a holy God and crown our souls with that unmatched power that makes for righteousness. Through Jesus Christ our Lord. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 7835) to provide revenue, equalize taxation, and for other purposes.

The message also announced that the Senate recedes from its amendment no. 13, and agrees to the amendment of the House to the amendment of the Senate no. 1 to said bill.

THE NEW MOTHER'S STAMP

Mr. LUDLOW. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD on the subject of Mother's Day.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. LUDLOW. Mr. Speaker, mother is by all odds the sweetest word in the English language. Around it cluster precious memories of swings and trundle-beds; of rolling hoops and patched pantaloons; of the pucker of green persimmons and the paralyzing smell of asafetida bags; of orchards full of blooms; of delightful excursions with joyful little companions through the woods down to the brook; of fishing all day long with bent pins when the largest victim was a solitary minnow of infinitesimal proportions; of mud squashing between bare toes; of contact with the business end of bumblebees; of loud wails on our part and of her whom we remember as being, of all persons in the world, most kind and sympathetic and true, telling us not to cry while she kisses our tiny wounds to take away the hurt.

There is no language known to men that can describe a mother's love. Of all emotions that influence the human mind it is the sweetest and the best. The bitterness and sorrow that would be the common lot in this vale of tears if it were not for mother love melt into happiness and joyous inspiration in the radiance of its tender flame.

Mother love has no yesterday and no tomorrow, but reigns eternally. There is no limit to its bounds. There is no plummet that can sound its depths. It reaches all the way from earth to heaven. With ineffable tenderness it leads the tottering infant past the dangers and pitfalls of life and guides him through the struggling years of childhood and maturity so that when the miracle we call death ends his earthly journey he is fit to take his place among the stars by the side of his Creator.

No tongue can explain mother love or trace its origin. The least we can say of it is that it is one of the mysteries that spring from God. We know that it is something real because there is no sacrifice too great for it to make.

From the time of Eve, who laid her very own on the altar of grief, down through the ages to Mary, who witnessed the unspeakable Tragedy of the Cross, and on and on, century after century, the word "mother" has always been the symbol of devotion, every age presenting in myriad repetitions and varying forms the solicitudes and sacrifices of mother love.

For the first time in the history of America, Mother is being recognized by the issuance of a special postage stamp in her honor. With the near approach of Mother's Day this stamp has just been placed on sale in all of the post offices of our country. It is a proper tribute and a beautiful recognition of Mother. Artistically, in its conception and in its design, the new stamp is next to perfection and is one of the most striking stamps ever issued by any government. Credit for the idea of issuing this very unusual stamp belongs to the American War Mothers. At the head of that national organization is a splendid Indiana war mother, Mrs. William E. O'Chiltree, who has made unsparing use of her magnificent talent and tireless energy in the successful promotion of this stamp.

The War Mothers are sponsoring an official cachet for this new stamp, the cover of which shows a special two-color border of carnations and a design symbolic of Mother's Day, in harmony with the stamp itself. A filler carries the sentiment of Mother's Day. The retail charge for these covers is 15 cents for singles and 25 cents for blocks of four suitable for air mail. The profit realized from these specially designed envelops, or cachets, will be used to carry on the work which has been undertaken by the American War Mothers since 1917, under a congressional charter, and in cooperation with the American Legion, the Disabled Veterans, Veterans of Foreign Wars, their auxiliaries, and similar organizations. This work consists in giving relief to needy veterans, their families, and especially to dependent mothers of the World War, a work which is more necessary at this time than ever before.

Orders sent to Mrs. William E. O'Chiltree, national president American War Mothers, Washington, D.C., will receive, prompt attention. The historic value of this cachet, with its tribute to the motherhood of the country, will make it a possession of intrinsic worth in the unfolding future, but its great appeal is not to our selfishness but to our humanitarianism, for who in all the world has more claim on our hearts than a dependent mother, and especially the mother of a veteran who offered his life that civilization might not perish from the earth?

SECURITIES EXCHANGE BILL

Mr. RAYBURN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H.R. 9323) to provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the con-

sideration of the bill H.R. 9323, the securities-exchange bill, with Mr. TAYLOR of Colorado in the chair.

The Clerk read the title of the bill.

The Clerk read as follows:

MARGIN REQUIREMENTS

SEC. 6. (a) For the purpose of preventing the excessive use of credit for the purchase or carrying of securities, the Federal Reserve Board shall, prior to the effective date of this section and from time to time thereafter, prescribe rules and regulations with respect to the amount of credit that may be initially extended and subsequently maintained on any security (other than an exempted security) registered on a national securities exchange. For the initial extension of credit, such rules and regulations shall be based upon the following standard: An amount not greater than whichever is the higher of—

(1) Fifty-five percent of the current market price of the security, or

(2) One hundred percent of the lowest market price of the security during the preceding 36 calendar months, but not more than 75 percent of the current market price.

Such rules and regulations may make appropriate provision with respect to the carrying of undermargined accounts for limited periods and under specified conditions; the withdrawal of funds or securities; the substitution or additional purchases of securities; the transfer of accounts from one lender to another; special or different margin requirements for delayed deliveries, short sales, arbitrage transactions, and securities to which paragraph (2) of this subsection does not apply; the bases and the methods to be used in calculating loans and margins and market prices; and similar administrative adjustments. For the purposes of paragraph (2) of this subsection, until July 1, 1936, the lowest price at which a security has sold on or after July 1, 1933, shall be considered as the lowest price at which such security has sold during the preceding 36 calendar months.

(b) Notwithstanding the provisions of subsection (a) of this section, the Federal Reserve Board may, from time to time, with respect to all or specified securities or classes of securities, or classes of transactions, by such rules and regulations (1) prescribe such lower margin requirements for the initial extension of credit as it deems necessary or appropriate for the accommodation of commerce and industry, having due regard to the general credit situation of the country, and (2) prescribe such higher margin requirements for the initial extension of credit as it may deem necessary or appropriate to prevent the excessive use of credit to finance speculative transactions in securities.

(c) It shall be unlawful for any member of a national securities exchange or any broker or dealer who transacts a business in securities through the medium of any such member, directly or indirectly to extend or maintain credit or arrange for the extension or maintenance of credit to or for any customer—

(1) On any security (other than an exempted security) registered on a national securities exchange in contravention of the rules and regulations which the Federal Reserve Board shall prescribe under subsections (a) and (b) of this section.

(2) Without collateral or on any collateral other than exempted securities and/or securities registered upon a national securities exchange, except in accordance with such rules and regulations as the Federal Reserve Board may prescribe (A) to permit under specified conditions and for a limited period any such member, broker, or dealer to maintain a credit initially extended in conformity with the rules and regulations of the Federal Reserve Board, and (B) to permit the extension or maintenance of credit in cases where the extension or maintenance of credit is not for the purpose of purchasing or carrying securities or of evading or circumventing the provisions of paragraph (1) of this subsection.

(d) It shall be unlawful for any person not subject to subsection (c) to extend or maintain credit or to arrange for the extension or maintenance of credit for the purpose of purchasing or carrying any security registered on a national securities exchange, in contravention of such rules and regulations as the Federal Reserve Board shall prescribe to prevent the excessive use of credit for the purchasing or carrying of or trading in securities in circumvention of the other provisions of this section. Such rules and regulations may impose upon all loans made for the purpose of purchasing or carrying securities registered on national securities exchanges limitations similar to those imposed upon members, brokers, or dealers by subsection (c) of this section and the rules and regulations thereunder. This subsection and the rules and regulations thereunder shall not apply (A) to a loan made by a person not in the ordinary course of his business, (B) to a loan on an exempted security, (C) to a loan to a dealer to aid in the financing of the distribution of securities to customers not through the medium of a national securities exchange, (D) to a loan by a bank on a security other than an equity security, or (E) to such other loans as the Federal Reserve Board shall, by such rules and regulations as it may deem necessary or appropriate in the public interest or for the protection of investors, exempt, either unconditionally or upon specified terms and conditions or for stated periods, from the operation of this subsection and the rules and regulations thereunder.

(e) The provisions of this section or the rules and regulations thereunder shall not apply on or before January 31, 1939, to any loan or extension of credit made prior to the enactment of this act or to the maintenance, renewal, or extension of any such loan or credit: *Provided, however,* That the Federal Reserve Board is authorized and empowered to prescribe such rules and regulations with respect to such loans, extensions, maintenance, and renewals as it may deem necessary to prevent the circumvention of the provisions of this section or the rules and regulations thereunder by means of withdrawals of funds or securities, substitutions of securities, or additional purchases, or by other device.

Mr. BULWINKLE. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I rise to say that the title given this section, "Margin Requirements" is a misnomer. In truth and in fact this entire section should be entitled "Limitation of Credit Union Listed Securities."

Much has been said about the 45-percent margin requirement, but this section provides only that there shall be a loan on these listed securities not exceeding 55 percent of their value. It has nothing to do with margin except that the Federal Reserve Board by appropriate regulations may make provision with respect to the carrying of undermargined accounts. References are made to margins on page 14, line 16, "Special or different margin requirements"; page 14, lines 19 and 20, "to be used in calculating loans, and margins and market prices"; on page 15, line 5, "prescribe such lower margin requirements"; and line 9, "prescribe such higher margin requirements."

I am doing this merely to call the attention of the House to the fact that this section does not provide margin requirements; it provides a limitation of credit which can be extended upon listed securities.

Mr. BRITTEN. Mr. Chairman, will the gentleman yield?

Mr. BULWINKLE. I yield.

Mr. BRITTEN. I do not know that I fully understood the gentleman's statement. Did the gentleman say this section provided limitations on loans to be made on listed and unlisted securities?

Mr. BULWINKLE. On listed securities.

Mr. BRITTEN. Does it not go much further than that?

Mr. BULWINKLE. I am talking about this particular section.

Mr. BRITTEN. Section 6?

Mr. BULWINKLE. Yes.

Mr. BRITTEN. That is what I am talking about, too.

Mr. BULWINKLE. It is a limitation upon listed securities.

Mr. BRITTEN. Is it not also a limitation upon unlisted securities?

Mr. BULWINKLE. No. Now, as to the provisions of the bill that a borrower must put up in cash 55 percent of the total value of the securities to be purchased means that one who desires to buy securities of the value of $25,000 may borrow under the provisions of the act $13,750, and must put up the remaining $11,250 himself. The excess value of the collateral over the amount owed is approximately 82 percent of the amount owed. This is the universal method of calculating margins by banks and other lenders of money. The required margin is thus 82 percent, and to say that it is 45 percent is misleading. If this fact is borne in mind, it is believed that the discussion of the so-called "margin requirements" will be better understood.

Mr. TREADWAY. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, as a member of the Ways and Means Committee, I find my time so much taken up with the work of the committee that I seldom rise when measures are before the House not directly connected with that committee.

I feel, however, that the present bill is such an extremely important one that I wish to take time very briefly to explain why I shall vote against it.

A great deal has been said on this floor about where the bill originated, who its parents are, and remarks of that kind. It seems to me all this is of very little importance, although I admit that I greatly prefer to follow the advice of men experienced in business affairs rather than that of young theorists. The main object is to measure results.

As nearly as I can ascertain, the bill fails to separate the regulation of Wall Street and speculation from commercial industry. I know nothing of Wall Street speculation from personal experience, but there seems to be no denial that speculation in big exchanges has had free rein. The people who want to speculate or gamble will find a way to do so,

and we cannot legislate against the instincts of human nature. I am for control and regulation of unfair practices in Wall Street or in any other speculative market, and will vote for any fair control of this nature. Since this bill has been before the public, like every other Member of Congress I have had extended correspondence with constituents about it. To the best of my recollection, not a letter has come into my office favoring this measure, so it would seem to me that the regulatory powers contained therein were born not of a public demand but in the impractical brains of those whose views seem to be ace high with this administration.

Industry needs a breathing spell. It needs reestablishment of confidence, and it needs a permanency that has been unknown for the past year. This bill in its entirety is not a stock-exchange control bill but a business control bill in line with the program which has been in progress for a year, namely, centralization of authority and regimentation of industry to bring about dictatorial evolution. Congress has delegated its authority over all industry to officials not responsible to the electorate. Today by this bill Congress is asked to delegate its penal authority to a board controlled by the administration. Since when did the Federal Trade Commission become a judicial and respected organization? It is but a few years since there was a decided movement in Congress to appropriate no money for carrying on the work of the Federal Trade Commission. Since its inception the Commission has been severely and rightly criticized both on this floor and in the other body as well as by citizens. Its origin to a certain extent was to hamper industry, and today we are asked to place in its hands the right to make regulations under which business shall be conducted and the right to clothe business with a criminal status if it fails to live up to such regulations. I want to say here and now that the industrial companies and corporations which I represent, and I know many of my colleagues represent similar ones, are not criminals, do not carry on their business in a criminal way, and I protest against a regulation being written law which can make criminals out of them by enforcement of an arbitrary rule.

If the Committee on Interstate and Foreign Commerce can devise a bill to protect the public against the unfair and improper practices of Wall Street and associates, I will vote for it, but I will not, under the cloak of control of Wall Street, vote to make criminals out of the kind of business that wants a chance to furnish the bread and butter for the citizens of this country. [Applause.]

[Here the gavel fell.]

Mr. KENNEY. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment by Mr. KENNEY: On page 14, line 5, strike out the figures "55" and insert in lieu thereof the figures "60."

Mr. KENNEY. Mr. Chairman, this amendment is offered so that credit may be extended initially to the purchaser of a security to the extent of 60 percent of the purchase price. Today, as in the past, we have a liquid market in securities. We ought to keep that market liquid, because it is upon the ready market for stocks and bonds that the great industries and enterprises of this country have been built. We ought not to make it too difficult for a purchaser of securities to acquire them. The credit situation generally, as has been explained by the gentleman from North Carolina, has been taken care of by this bill. The arm of the Federal Reserve Board has been extended, not only to its member banks but to all other banks and every stock broker and dealer in the country, so that the credit problem is well taken care of. There should be no initial margin requirement which would interfere with the ready marketing of securities.

I hold no brief for the corporations of this country, but I do know that many of them listed on the stock exchange are as progressive as the new deal itself. A great many of these companies are far ahead of us. We are planning various things here, but we forget and are unmindful of the fact that many of these listed companies have provided for minimum wages, retirement funds, old-age pensions, health insurance, and group life insurance for their employees. We do not want to do anything in this bill which will cut off the ready market for securities and keep the investor from standing behind the industries of our country which have done so much for a great many of the employees of this Nation. We want the employees themselves and the man of limited means to be in position to buy these securities, should they desire to do so.

We have taken care of the credit situation. The margin standard will have nothing to do, in my opinion, with the question of credit, because that is fully in the hands of the Federal Reserve Board, which is not bound by the standard set up in the bill; and today, after the passage of this bill, if it passes, a purchaser of securities upon credit or margin can only do so with the approval of the Federal Reserve Board, no matter what the standard which the Federal Reserve Board has the right to disregard in fixing margins and regulating credit.

I submit that we ought to provide for a sound standard. The Senate in its bill has set no standard. If we establish a standard, we ought to make it reasonable, one that will be lived up to, one that the Federal Reserve Board will follow, one that the Senate will adopt. I submit that this amendment should be adopted.

Mr. BRITTEN. Will the gentleman yield?

Mr. KENNEY. I yield to the gentleman from Illinois.

Mr. BRITTEN. As I understand the gentleman's amendment, it provides for a 60-percent credit and 40-percent margin?

Mr. KENNEY. Instead of 55-percent credit and 45-percent margin; yes.

Mr. BRITTEN. My feeling is that this is not low enough. I would be willing to support an amendment for a 66-percent credit and a 33⅓-percent margin.

Mr. KENNEY. If the gentleman will offer that amendment I will be glad to vote for it.

[Here the gavel fell.]

Mr. CONNERY. Mr. Chairman, I rise in opposition to the amendment and ask unanimous consent to proceed out of order during these 5 minutes on what I consider an important matter. I may say that this is something I want to speak on at this moment. I am for this bill, and this is something to which I want to call the attention of the House.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. CONNERY. Mr. Chairman, I apologize to my friend Mr. RAYBURN, Chairman of the Interstate and Foreign Commerce Committee, for taking time at this moment. I am for his bill and intend to vote for it.

What I wish to say at this time is that I understand the gentleman from Washington [Mr. ZIONCHECK] has caused a petition to be placed on the desk to discharge the Rules Committee on the Connery 30-hour week bill. May I say to the House that I asked my friend the gentleman from Washington not to file this petition?

The reason is that President Green of the American Federation of Labor, Miss Perkins, the Secretary of Labor, Mr. Richberg, and I have been in conference yesterday and are going into further conference with the idea of seeing if we cannot get together on some amendments which may secure Presidential approval for the 30-hour week bill. May I make it plain to the Membership of the House that I asked the gentleman from Washington [Mr. ZIONCHECK] not to file the petition for the 145 names in connection with the 30-hour week bill?

Mr. GOSS. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, it has been the custom in many of our industries of this country to sell to their employees stock in their own company, and on a very easy payment plan. It has occurred to me that possibly this margin requirement, whether it be on listed or unlisted stock, might prevent those corporations from selling the stock of their own company to their own employees unless they were able to furnish a suitable margin or collateral.

I should like to ask the chairman if this custom would be interfered with in any way so far as any of the provisions of this section of the bill are concerned.

Mr. RAYBURN. If the corporation is doing it as a regular course of business it would apply.

Mr. GOSS. Yes; but I want to call attention to the fact——

Mr. RAYBURN. You cannot make too many exemptions if you are going to attempt to stop so much of the money of the country going into the speculative market.

Mr. GOSS. However, I want to ask the chairman if it would be at all possible under the provisions of the bill for these employees to buy the stock without any security being put up, as has been the custom in the past, and I am sure the gentleman is very familiar with the custom in industry——

Mr. RAYBURN. To buy a stock listed on the securities exchange?

Mr. GOSS. It may be listed or it may not.

Mr. RAYBURN. If it is not listed, this would not apply.

Mr. GOSS. We may take the United States Steel Corporation as an example. They have sold, we will say, to their employees, stock in that company in the past and the employees have not had to put up collateral, perhaps. They sell them on an easy-payment plan and in some instances the money is taken out of their pay.

Mr. RAYBURN. If it is not in the ordinary course of business the rules and regulations adopted by the commission could not apply; but if it is in the regular course of business or if they are making a regular business of doing it, the rules and regulations would apply. This is covered by clause (A) of subsection (d).

Mr. GOSS. Would it be a part of their regular business if this was a custom of the concern involved?

Mr. RAYBURN. The board can make an exemption under clause (E) of subsection (d) and, furthermore, as I said, if it is not in the ordinary course of business, it is also exempt. The regular business of a steel corporation is making and selling steel, not selling securities.

Mr. PEYSER. Will the gentleman yield?

Mr. GOSS. I yield.

Mr. PEYSER. I believe the answer to the question the gentleman has asked is that it would not come under the terms of this bill. If a concern acquired stock for distribution to people in their employ, that is a transaction between the industry and the purchasers of the stock.

Mr. GOSS. Well, they do not do that. They sell this stock out of treasury stock, in most instances, to the older employees.

Mr. PEYSER. In my judgment, that is a private transaction.

Mr. GOSS. And in the past they have not had to put up any collateral. They may have to stop the practice if they are required to put up collateral.

Mr. PEYSER. I may own 100 shares of my own industry, and I can sell that to my bookkeeper or secretary if I so desire.

Mr. GOSS. I understand; but this is a different procedure and one that the gentleman must be familiar with. The corporation sells its own treasury stock to its employees, perhaps, at a little below the market.

Mr. PEYSER. That is not an exchange transaction.

Mr. GOSS. And the employees pay for it out of their wages on easy terms without having to put up additional collateral, and sometimes they deposit the security, if they have taken it in their name, before it is all paid for; and I am fearful this section may interfere with this type of stock transactions, which is very much in the interest of the employee.

Mr. PEYSER. In my judgment, that would be construed as a private transaction and would not come under the provisions of this bill.

Mr. GOSS. The chairman of the committee has not quite satisfied me on that point.

Mr. LEA of California. Will the gentleman yield?

[Here the gavel fell.]

Mr. BRITTEN. Mr. Chairman, I ask unanimous consent that the gentleman from Connecticut may proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. GOSS. I yield to the gentleman from California.

Mr. LEA of California. As I understand the situation, the greatest reliance you could have for the situation you have described being taken care of is on page 17, under subdivision (e), which gives the Federal Reserve Board power to make rules and regulations governing such transactions as the gentleman has discussed.

Mr. GOSS. Then I would say to the gentleman that if they are given that broad power and it is the custom today, they might, by a whim, do away with that custom. In other words, if they have such broad power, as the gentleman from Illinois calls to my attention, it amounts practically to a control of industry under paragraph (e).

Mr. LEA of California. The committee gave a great deal of attention to the policy that should be pursued in reference to margins. We finally concluded that in the main we must rely upon the commission to adjust margins to conditions, because we realize there is a constant necessity, perhaps, for changing margins in order to adopt them to so many variable conditions. It is impossible to take care of them by fixed, inflexible rules.

Mr. GOSS. If this is to be on the basis of the Commission issuing rules and regulations with respect to margins, the Federal Trade Commission or whatever commission finally handles these matters under this bill, might go so far as to say that a company could not issue any stock.

Mr. LEA of California. No; I think that would not be within their power.

Mr. GOSS. According to the gentleman's intepretation of this provision, they might even stop the flow of credit to industry.

Mr. LEA of California. It is not within their regulatory powers to deny margins, but they can regulate them.

Mr. RICH. Will the gentleman yield?

Mr. GOSS. Yes.

Mr. RICH. If we are going to place all the power in the hands of this Commission that may be formed to handle this transaction, and if we, as the Congress, are going to delegate this power to the Commission, does not the gentleman think we are doing the wrong thing?

Mr. GOSS. Why, certainly; that is what I am on my feet for. I want to call attention to the fact that the Federal Reserve Board is authorized to prescribe such rules and regulations—any rules and regulations—and after they decide on something they can change it overnight.

Mr. RICH. That is all wrong.

Mr. GOSS. I am fearful that that is going to work a handicap on industry and the pleasant relationship between employer and employee; because we have thousands of qualified men running our industries in this country only too glad to give employees a chance to share in the profits through this old custom.

Mr. MAY. Will the gentleman yield?

Mr. GOSS. Yes; I yield.

Mr. MAY. Suppose I am a bookkeeper for the United States Steel Corporation and they are about to issue stock.

Mr. GOSS. They do not have to have it in the treasury. It is the custom to sell stock to enable employees to share in the profits, and in many cases they sell the stock a little below the market price.

Mr. MAY. Will the gentleman let me state my proposition?

Mr. GOSS. Certainly.

Mr. MAY. This is a kind of transaction that is being carried on by thousands, where the bookkeeper of a corporation wants to buy a share of stock, par value $100. It sells the stock to the bookkeeper, who pays $20, and then they take out of his salary $20 a month for 4 months.

Mr. GOSS. That is true, and he will have to put up a margin or even collateral under this plan.

Mr. MAY. I do not think so under the provisions of this bill.

Mr. SABATH. Mr. Chairman, I rise in opposition to the amendment. I am of the opinion that the gentleman is unduly alarmed as to the question he has raised. All such stock sold to employees remains in the treasury of the corporation, and there is no loan required; the stock is not delivered to the purchaser until it is paid for in full. Therefore there will be no need for any loan on the part of the purchaser, because the corporation retains the stock in its treasury until it is fully paid for.

Mr. Chairman, ladies and gentlemen of the Committee, personally I am not so much interested in aiding people to buy stocks on margin, as I know what happened to all of them before and what is liable to happen in the future, if we permit still more liberalized requirements. Surely we do not need to fear that the corporation issuing the stock and disposing of it to their employees will not be able to find a way even under this bill to obtain loans, because I feel that these provisions will not apply to the treasury stock of these corporations. Henceforth, in view of this legislation, stocks issued in the future will represent real values. This legislation will in no way restrict them, but in view of the past, when nearly every corporation issued additional millions and more millions of shares of stock, unloading them upon the American people and even their own unfortunate employees, who lost not only the amount they invested, but even the amounts that they borrowed from their friends, and many of them are still paying for the worthless securities that they were made to purchase on a so-called "easy payment plan" and for which they made themselves liable to these heartless corporations and manipulators.

I am of the opinion that, in view of the fact that we cannot, as the gentleman from Massachusetts [Mr. TREADWAY] states, prohibit speculation or gambling, that it is our duty to see that the investing public, or rather the "lambs", be protected by this Government so that their investments shall not be wiped out even before the receipt of the stock certificates issued to them. I think this legislation is in the right direction. I congratulate the committee, and I hope that we will not in any way weaken the bill. If there is any way possible, we should strengthen it in the interest of the investors. Mr. Chairman, we should not take into consideration the interest of a few speculators and stock promoters who brought about the destruction of the entire Nation. It seems to me that some of my colleagues on the other side are much more interested in these corporations and houses of issue, in the stockbrokers and the manipulators, than they are in the public. I feel that had it been possible to consider this legislation in 1930, 1931, or 1932, or before the election of President Roosevelt and before conditions started to improve, very few of you would have dared to interpose objections to this bill. However, I realize that there are some Members on that side who are not familiar with the tactics and vicious and misleading propaganda that has been carried on in the past 3 months against this legislation. Fortunately, or unfortunately, this is not a new question to me. I had ample opportunity to learn of the intrigues and conniving influence used to mislead the Membership of the House, and therefore, feel it is my duty to warn you against this vicious, highly organized propaganda, as I know that most of you are honest and realize that this legislation is in the interest of legitimate business and will make possible the return of confidence.

Mr. MAPES. Mr. Chairman, there is a great deal of misapprehension about this particular section of the bill. It gave the committee a great deal of concern. As originally introduced the bill contained several very rigid requirements. It contained a rigid maintenance requirement for loans after they were once made. It seemed to some members of the committee that it was unfortunate to provide for a maintenance requirement under conditions such as the country has been going through in the past few years, when there has been an utter collapse of the economic structure, and that there ought not to be any rigid requirement in the law for the maintenance of credit after it has once been granted.

There was also objection to any rigid standard being fixed. There has been a great deal of criticism about the discretion lodged in the Federal Trade Commission in the administration of this law. A great many of the discretionary provisions put into this bill were put in at the request of the representatives of the stock exchanges and of business, because they said that Congress did not have sufficient information to justify putting too rigid requirements into this act. This section is one of the concessions made in this bill to that thought. I say to those who want to oppose this bill, oppose it, but do not deceive yourselves in doing so. The business of stock exchanges is a very intricate and variant business, and to put rigid requirements into the law in some instances might be very unfortunate. The committee has all the way through conceded to the thought that the law should not be too rigid for the purpose of making it possible, if any requirement or rule or regulation of the Commission proved unfortunate and unworkable, to change it without going through the slow process of amending a law.

Mr. Chairman, this marginal requirement is not rigid. Some people would have it left entirely to the Federal Reserve Board. It is almost left to the discretion of the Federal Reserve Board as it is. The only legislative standard, the only suggestion made in this bill to the Federal Reserve Board is on an initial loan on a listed security. In effect the bill says to the Reserve Board, we think you should require a man who wants to purchase listed securities for speculation or who wants to invest in corporate securities, under your rules and regulations, to put up 45 percent of the current market price of the listed security. But we say to the Federal Reserve Board in the same breath, if you think for the accommodation of industry and commerce, you should allow a lower margin, or if you think in the interest of the public—if there is too much speculation in corporate securities—the margin should be increased, then you have the power to do that. That is all this provision does.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. MAPES. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. COX. Mr. Chairman, will the gentleman yield?

Mr. MAPES. Yes.

Mr. COX. While it is perfectly clear to me that the law does not apply in cases similar to the situation raised by the question of the gentleman from Connecticut [Mr. Goss] I think it would be unfortunate to leave the record in its present shape, because as yet I have heard no satisfactory answer to the question.

Mr. MAPES. What is the question?

Mr. COX. Does the law apply to a case similar to that raised in the question of the gentleman from Connecticut [Mr. Goss]? That is, where a company desires to distribute its stock to its own employees—purely a private transaction as between the two—would the regulations provided for in this section of the act apply?

Mr. MAPES. Of course not. These regulations apply more especially to loans to and by brokers and to transactions on stock exchanges.

Mr. COX. Purely exchange transactions?

Mr. MAPES. So far as this marginal requirement is concerned, it is almost an exclusive regulation of "brokers' loans", so-called, because it exempts all loans to individuals who want to borrow money for the purpose of putting it into their own individual business or into their local companies, to buy homes, or to do anything, except to speculate in the stock market, and then only on stocks that are listed on stock exchanges; not on ordinary bonds, not on municipal bonds, not on so-called "exempted securities" at all. There is a distinction here between the individual and the broker, but as far as individuals are concerned, it applies only to loans on stock listed upon stock exchanges, where the proceeds are to be put back into other stocks listed upon

stock exchanges, and it has no further application to them at all.

Now, those Members of the House who want to regulate stock exchanges and who do not want to hurt business, will have an opportunity to get back of this marginal requirement provision, because the people who are chiefly interested in the marginal provision are the brokers and dealers and members of the stock exchanges. They are opposed to marginal requirements being written into this bill. They do not want their business curtailed by any such limitation. They do not want anything done that will prevent the little fellow, the fellow who is in and out of the market, from carrying on and having unlimited opportunity to part with his savings. They are the ones who are particularly interested in these marginal requirements, not business, nor individuals, and not the banks.

Mr. COX. Will the gentleman yield further?

Mr. MAPES. I yield to the gentleman.

Mr. COX. This is an exchange control bill. The Congress is undertaking to regulate, through the exercise of its powers under the commerce clause. Now, if it has the power to touch private business, it is only that business whose operations have a direct effect upon interstate transactions, and it is not intended to touch private business insofar as it is altogether intrastate and not related to interstate.

Mr. MAPES. Not at all.

The CHAIRMAN. The time of the gentleman from Michigan has again expired.

Mr. McGUGIN. Mr. Chairman, I rise in opposition to the amendment.

The country is greatly in need of fair and effective control over stock speculation. Stock speculation has not only swindled the American people out of billions of dollars, but in addition to that it has impoverished millions of people who have never invested a dollar in stock. Stock speculation monopolized and absorbed the banking credit of this country. Throughout the country local banks in the latter part of the twenties closed out sound lines of credit for local business—agricultural, industrial, and commercial. These local banks then took this money and sent it in to New York for call money, where fabulous rates of interest were derived from stock speculation. In the end, this meant that credit was taken away from honest, productive business and given over to speculation.

The orgy of stock speculation in the latter twenties was a swindle upon the people and an economic outrage upon the country. All of this should be corrected, and every right-thinking person in the country favors sound and constructive legislation which will save the people of the United States from a repetition of the ghastly conduct growing out of speculation in the latter twenties.

However, there is a swindle being worked upon the people in 1934 in the name of the stock exchange. That swindle is this bill. Everyone refers to this bill as the stock exchange bill. The people think this is a bill to correct these wrongs which must be corrected. The people have been deceived. The people do not know that that is but a small part of this bill. The people do not know that control over the stock exchange is merely the excuse and title for this bill, while the real reason for this bill is to gain complete governmental control and domination, not alone over speculation in the stock exchange, but over legitimate industry in this country.

The bill itself, upon its face, proves the deception and hypocrisy of the claim that it is a stock-exchange control bill. It contains 61 pages. It does not require 61 pages of law to control speculation. It does require 61 pages insidiously to work into this law complete control and domination over all industry in this country.

The first nine sections of this bill might be accepted as a fairly respectable piece of legislation. Practically all of the remaining 25 sections are insidious, tyrannical control of industry by government. Among the victims of this bill will be the millions of people who are entitled to the opportunity to make a living in industry, but who will be denied that opportunity because this bill, with its control of industry, will only lead to a drying up of the channels of commerce.

I should like to vote for a bill which would control speculation on the stock exchange, but such control as this bill gives over the New York Stock Exchange is a small part of the control which has been written into the bill.

What is more, the 61 pages of this bill will in the end be a small part of the law which will grow out of this bill. Section 10 sets up a commission and authorizes that commission to issue such rules and regulations as it deems necessary or appropriate. In the fullness of time, those regulations will be far more voluminous than these 61 pages of congressional legislation. In the fullness of time those regulations will be the tail which will be wagging the dog. I cannot see where the bill would be materially affected whether this commission is a new commission or the Federal Trade Commission. In any event, it is a commission which will be issuing regulations and rules with the force and effect of criminal law, the violation of which by any citizen will mean that that citizen is on his way to the penitentiary.

Section 32 provides in part:

> Any person who willfully violates any provision of this act or any rule or regulation thereunder * * * shall, upon conviction, be fined not more than $10,000 or imprisoned not more than 2 years, or both.

Thus, citizens of America will be sent to the penitentiary for the violation of regulations which can only be found in some pamphlets issued by some commission and not in the statutes of the United States. In this respect, this bill bears the same tyranny which is found in much of our so-called "emergency legislation." Russia, Germany, and Italy are not the only countries in which citizens are being imprisoned for the violation of edicts. The United States is such a country under this act and other emergency legislation which has been enacted. Stalin issues the edicts under which Russians are sent to prison, Hitler the edicts under which Germans are sent to prison, Mussolini the edicts under which Italians are sent to prison, Secretary Wallace the regulations under the Agricultural Adjustment Act and Bankhead cotton bill under which American farmers can be sent to prison, and some commission of three men will issue the regulations under this bill under which American citizens will be sent to prison. American citizens under this bill, under the N.R.A., under the A.A.A., and under the Bankhead Act, are to be sent to prison for committing crimes, which crimes have no more been decreed by a representative legislative body of the people than are crimes in Russia, Germany, and Italy prescribed by representative legislative bodies.

I want regulation and honest and effective regulation of speculation and credit, but I will not vote for such tyranny as is found in this bill.

Another fraud which is being perpetrated on the people is the very title of this bill. It is referred to as the Fletcher-Rayburn bill. It is not the Fletcher-Rayburn bill; it is the Corcoran-Cohen bill. These gentlemen are a couple of self-styled intellectuals, a couple of Felix Frankfurter's protégés, a couple of men who do not have and could not obtain the support of any congressional constituency in the United States, yet they can write the bill, sit in the galleries, and watch Congress move while they crack the whip.

[Here the gavel fell.]

Mr. McGUGIN. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Without objection it is so ordered.

There was no objection.

Mr. McGUGIN. Of course, personally, they have no whip to crack. The truth is, Congress detests following their dictation, but Congress does not have the courage to say no and perform its constitutional duty to protect the liberties of the people. The reason Congress has not the courage is because Congress is afraid the President will go on the radio, lead the people to believe that this bill is exclusively a control over the stock exchange, and then lead the people to believe that he who voted against this bill has been the tool of a band of Wall Street pirates. For my part, I am not

going to be intimidated by any such political character assassination. I am going to draw about me the cloak of truth and take my chances on that cloak's being a sheet armor of political protection. I am going to vote against this bill unless by amendments it is pared down to the point where it is an honest and exclusive stock-exchange control bill.

As proof that this bill is more nearly the Corcoran-Cohen bill than the Fletcher-Rayburn bill, I cite the incident which occurred in the House yesterday. The chairman of the committee did not feel exactly sure of himself in leading this bill through the House, so he insisted on having by his side Mr. Cohen, the real author of the bill. This bill is not a tariff bill with hundreds of complicated schedules, or a revenue bill with complicated rates. It requires no experts to supply the chairman with the facts. All that it requires is a knowledge of what is in the bill. Of course, the real author of the bill has a better knowledge of what is in it than one who is merely the sponsor of the bill.

Mr. RAYBURN. Mr. Chairman, I did not intend to stoop to reply to some things that have been said on this floor, which are a reflection not only upon myself but on the 24 other members of this committee. I thought that on yesterday we had enough of this little red house stuff; and it is stuff. The gentleman from Illinois [Mr. BRITTEN], always alert and alive to what will give him publicity, coined the phrase "the little red house in Georgetown." I did not object to his playing that at all. It is perfectly legitimate and perfectly correct. But every time a Member of this House gets up here and says that he is for legislation for the control of the stock exchanges, he winds up saying that this is not the medicine which the exchange needs.

The same talk was made before our committee by every man who appeared before that committee, who was trying to chisel and defeat stock-exchange legislation. [Applause.] Every man who has written a letter here, who has a reputation to guard, has begun his letter by saying just exactly what the gentleman from Kansas [Mr. MCGUGIN] has said: that he is for stock-exchange regulation; but he always winds up by saying this is not the proper bill. Every member of this committee is convinced that, with the ingenuity of the 25 men upon that committee, we have done our best to bring forward a bill that would be helpful to the American people, to the investors in securities, and not injurious to business. We could not do it without the advice of experts. The members of the committee have done their best, yet the same complaint lodges against the committee, the same chiseling amendments will be offered upon this floor to this bill that would have been offered to the original bill.

Now, our committee sits year in and year out considering the most technical problems of any committee in this House—railroads, transportation of all sorts. We are laymen. We are not experts. We do not arrogate to ourselves all the knowledge in the universe. If we were as able as some people in this country think they are, and as some Members of this House think they are, we would feel so self-sufficient that we would have to call in no experts. We have to sit and listen to men who have specialized in transportation for 40 years; men who have been hired for that time in order to make a case for their people. They are paid salaries for representing them. Special privilege always has counsel in the committees of this House. Now, because we call in Mr. Cohen and Mr. Corcoran, two of the ablest young men that it has ever been my privilege to know—and I think that is the unanimous consent of the other 24 members of the committee—young men who have appeared, not representing institutions that have robbed the investors of this country, but who have appeared there in the capacity of people's counsel; they are held up by men who are really opposed to this bill, but who are not going to have the "guts" to vote against it when the roll is called, as being somebody from Russia or being tainted with socialism or communism. [Applause.]

[Here the gavel fell.]

Mr. RAYBURN. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. RAYBURN. It rubs a pretty sore place on us, who have for 9 weeks been charged with this duty, who have considered every proposal from every section and from every person, Republicans and Democrats alike, to have even the gentleman from Illinois, if not even the gentleman from Kansas, come to us, in the face of the statement of the gentleman from Michigan [Mr. MAPES], his own colleague, and the statement of the gentleman from Ohio [Mr. COOPER], and other members of the committee on that side of the House, and say that even though we listened to those suggestions—and we were glad to have them from any source—it was the duty of the committee to write, and it did write, its own bill.

The committee stands here today practically solidly behind this bill; and we are going to fight down the people who, while saying they stand for legislation to regulate the stock exchanges, yet intend to offer chiseling amendments and make speeches in opposition to the bill.

The first chiseling amendment that was offered was offered by my genial colleague here to my right, my coworker on the committee. In the first instance the bill provided for 60 percent margin requirement. I did not think it was too high myself, because I have seen the lambs shorn for many, many years simply because they got in on a narrow margin and were shaken out sometimes between the hour the stock exchange closed in the afternoon and the hour it opened the following morning. I do not want such a condition to obtain if I can help it. Then in the subcommittee I proposed a 50-percent margin and 50-percent loan value. In order to help the committee along I agreed to a 45-percent margin and a 45-percent original loan value. Had we come in here with a 50-percent margin requirement an amendment would have been offered to reduce it to 45 percent. We have come in with a 45-percent marginal requirement and an amendment has been offered to reduce it to 40 percent; and had our original proposition been 40 percent, an amendment would have been offered to make it 35 percent; and so on down to nothing. So we brought in what we thought was a reasonable provision for the Federal Reserve Board. We made it flexible. We did not fix a rigid margin requirement; but, as I said, in my address the other day, we raised a flag, we drew a white line, and said to the regulatory authority, which is the Federal Reserve Board, that we believed—and it was the expression of congressional will—that somewhere around 45 percent should be the original margin requirement.

Some people said the provision with regard to margin should be flexible. We have set up this standard, this basis; but we have provided that the Federal Reserve may, if it finds it to be in the interests of trade and commerce—I believe that is the expression used—to change that original margin. We go further and say there shall be no rigidity whatever about maintenance and that the Federal Reserve may fix that. Yet we find people who have been so written to and talked to, to whom the provisions of the bill have been so misrepresented, that they say that even this is not flexible enough.

[Here the gavel fell.]

Mr. RAYBURN. Mr. Chairman, I dislike to do so, but because I believe this section is the very heart of the bill, I ask unanimous consent to proceed for an additional 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. RAYBURN. The President of the United States thinks this bill should be passed; and I agree with him.

The margin requirements, so far as I individually am concerned, are not as high as I would have made them, but in order to meet objections I have agreed to a lesser requirement; and we have in the bill a reasonable margin requirement.

If we have safe and definite provisions in this bill to prevent manipulative practices, and then give to the enforcing authority enough power under the legislation to make it effective, we have a good bill. If, however, we adopt amendments that will weaken the margin requirements section, that will weaken the manipulative section, that will rob this board, authority, or whatever you choose to call it, of power to make this law effective, then we might as well strike the enacting clause out of the bill. This bill is 60 pages in length. It has been worked out, we believe, scientifically and sanely. If you begin allowing those who want to chisel this bill, those who at heart—and I do not put my friend from New Jersey in this class—want to weaken this bill, who want to vote against it but many of whom will not vote against it; if you begin adopting amendments offered to tear up the framework of this legislation, you might as well strike out the enacting clause and do nothing about this matter, but let the riots and the disgrace again come as it did in 1929 culminating that orgy of speculation. I trust that friends of this measure, friends of legislation to provide some sort of control of the practices on the stock exchange, will stand behind the members of the committee who are for regulation in voting down these amendments that would draw a knife under the chin of the bill. [Applause.]

Mr. MARTIN of Colorado. Mr. Chairman, will the gentleman yield?

Mr. RAYBURN. I yield.

Mr. MARTIN of Colorado. I may say to the gentleman that I am for his bill very strongly as far as it goes, but I should like to have him take notice of the statement made by the gentleman from North Carolina [Mr. BULWINKLE] a few minutes ago to the effect that this bill does not provide for any marginal requirements whatever but provides merely a limitation on credit.

Mr. RAYBURN. It can be called either one or the other. It can be said that a man can borrow 55 percent of the stock when he buys it or that he cannot borrow more than 55 percent of the market price when he buys the stock originally; or it can be said that when a man went to buy the stock originally on the New York Stock Exchange he must put up 45 percent of the market price and that the broker can lend him 55 percent in order to maintain it.

Mr. MARTIN of Colorado. What would be the objection to including in the bill language in substance as follows:

Provided, That the purchaser of any listed security under this act shall deposit not less than 45 percent of the current market price of the security at the time of the purchase.

Mr. RAYBURN. That would be perfectly all right, but we think our language is a little more scientific.

Mr. COLE. Will the gentleman yield?

Mr. RAYBURN. I yield to the gentleman from Maryland.

Mr. COLE. So far as the margin requirement is concerned, with little, if any, strings tied to the Federal Reserve Board, 5 minutes after the passage of the bill if they find the formula prescribed by Congress is not broad enough, they can change it?

Mr. RAYBURN. Exactly. I stated in my remarks awhile ago if they found it was in the interest of trade and commerce they could change it at any time they pleased.

[Here the gavel fell.]

Mr. BRITTEN. Mr. Chairman, I move to strike out the last word.

Mr. BANKHEAD. Mr. Chairman, I make the point of order that debate under the rule has been exhausted.

Mr. BRITTEN. Mr. Chairman, I rise in opposition to the amendment, and that has not as yet been done.

Mr. RAYBURN. Mr. Chairman, I rose in opposition to the amendment. I thought I made myself clear that I was opposed to the amendment.

Mr. SABATH. And so did I.

Mr. BRITTEN. I did not hear the gentleman from Illinois [Mr. SABATH].

Mr. CLAIBORNE. Mr. Chairman, a parliamentary inquiry. What is before the Committee at this time? Is it an amendment or otherwise?

The CHAIRMAN. The amendment of the gentleman from New Jersey is before the Committee. The gentleman from Alabama [Mr. BANKHEAD] makes the point of order that all debate has been exhausted on the amendment. The Chair sustains the point of order.

The question is on the adoption of the amendment of the gentleman from New Jersey.

The amendment was rejected.

Mr. TABER. Mr. Chairman, I offer an amendment which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. TABER: On page 17, after line 25, insert a new subsection, as follows: "(f) The provisions of this act shall not apply to any loan unless at the time it was or is hereafter made the proceeds thereof were or are used for the purchase of securities."

Mr. TABER. Mr. Chairman, I suppose that this labels me as a chiseler. The only argument so far presented against amendments has been that Wall Street is the bugaboo which is trying to spoil this bill. We have not had straight-out or square-toed assertions or explanations of the provisions of the bill.

May I give you an illustration of how this bill would work. Suppose a clothing merchant in your town wanted to go to a bank and borrow $10,000 and the bank loaned the money to him and he put up $10,000 worth of securities. Just as soon as that was done this provision here would apply to him. There is no definite exception which excepts business loans; therefore I have drawn this amendment which does.

May I read to those of you on the committee a few words from this bill:

SEC. 6. (a) For the purpose of preventing the excessive use of credit for the purchase or carrying of securities.

Such a business loan would be the carrying of securities as soon as it was made. If it is not in its inception a business loan, something of this kind perhaps should apply; but if it is a business loan in its inception and is not used for the purchase of securities, it ought not to be burdened with the provisions of this act. If you do not want to tie down business and make business subject to all sorts of burdens, you do not want to pass the bill unless you have an absolutely clear and definite exception.

That is what this amendment that I have offered provides, and I hope that the committee will adopt the amendment in order to protect the business man who wants to do business and is willing to gamble his own securities in order to do it, and not require him to put up that margin which is required for a speculative loan.

Mr. GOSS. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from Connecticut.

Mr. GOSS. In the debate I had a few minutes ago with the gentleman I think the gentleman from California brought that out very clearly. I will admit mine was on a different subject, but somewhat related to the gentleman's amendment; and, I think, unless the gentleman's amendment is adopted, business under the system that he has just mentioned here would be greatly penalized if not altogether stopped, particularly the small merchant.

Mr. TABER. If we are not going to protect the small merchants and small manufacturers in our home towns when we get up such a bill as this, we ought to quit. I am in favor of protecting them.

Mr. REED of New York. Will the gentleman yield?

Mr. TABER. I yield to my colleague from New York.

Mr. REED of New York. The loans of the merchants who had borrowed money before this act went into effect would be called?

Mr. TABER. This bill would not apply to them until 1939.

Mr. REED of New York. There would be a general calling of the loans of merchants all over the country.

Mr. MILLIGAN. It does not apply until 1939.

Mr. TABER. The provisions do not apply to business loans heretofore made until 1939, but it would apply to current loans.

Mr. MILLIGAN. It would not apply to renewal loans, either.

Mr. TABER. It would not apply to renewal loans that already exist; but if a man who is running a business today borrows $10,000 after this act is passed and puts up his own securities, this bill applies to the transaction.

Mr. MILLIGAN. It does not.

Mr. DUNN. May I ask the gentleman what the bill does require in that respect?

Mr. TABER. It requires them to carry a margin at the bank of whatever the Federal Reserve Board might require, not exceeding a 45 percent margin, if I remember rightly.

Mr. MILLIGAN. That is, if they are going to use the proceeds of the loan to purchase other securities.

Mr. TABER. The provision in here that I have read does apply to a business loan. I refer to page 13, section 6 (a). After this act takes effect, where they are carrying securities, unless it is a loan that has been made previous to the passage of the act, this applies.

[Here the gavel fell.]

Mr. GOSS. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

Mr. BULWINKLE. May I call the gentleman's attention to page 13, section 6, which reads as follows:

For the purpose of preventing the excessive use of credit for the purchase or carrying of securities, the Federal Reserve Board shall—

And so on. The gentleman is mistaken.

Mr. TABER. May I call the gentleman's attention to the fact that I was not mistaken? I read that section over very carefully, and I explained to the House just how that section would work out. Probably that was the intention of the committee, but it is not the wording of the language, nor is it the effect of the language.

I want to fix it so that these things only apply to speculative loans. These loans, if they were made for other purposes than speculation, to enable the manufacturer or the merchant to have $10,000 to operate his business, would have to comply with these margin requirements as long as the loan was carried. I want to get away from this.

Mr. BULWINKLE. Will the gentleman yield?

Mr. TABER. I yield.

Mr. BULWINKLE. I want to call the gentleman's attention to the fact also that I think hereafter when a man would go to the bank to borrow money, if this bill were to become law, he would have to sign an application and state in the application that it is or it is not for the purpose of buying securities.

Mr. TABER. That is perfectly all right; but I do not want it fixed so that a man is going to be obliged to put up this margin on nonspeculative loans because the banks, very generally, are accustomed to being exceedingly liberal in business loans.

Mr. RAYBURN. Will the gentleman yield?

Mr. TABER. I yield.

Mr. RAYBURN. I may say to the gentleman it has been stated many times that this does not apply to that situation. The committee report says it does not apply to a transaction like that, and I think that is the clear language of the bill.

Mr. TABER. I appreciate the committee report said that, but the language of the bill itself is not that way. That is the trouble.

Mr. RAYBURN. The language of the bill is, "for the purpose of preventing the excessive use of credit for the purchase or carrying of securities." This is the plain language of the bill.

Mr. TABER. Purchase or carrying; yes.

Mr. OLIVER of New York. Will the gentleman yield?

Mr. TABER. I yield.

Mr. OLIVER of New York. The gentleman from New York does not define carrying of securities as meaning borrowing money on securities which a firm owns for the purpose of carrying on its business?

Mr. TABER. It would be interpreted as meaning the carrying of securities.

Mr. OLIVER of New York. Oh, no.

Mr. TABER. And that is what I want to get away from, and that is what I should think the committee would want to get away from.

Mr. OLIVER of New York. No; the language is, "purchase or carrying of securities", and it would not be carrying of securities to borrow money for the purpose of carrying on your business on a security which you already have.

Mr. TABER. If I may have a moment of your attention, I think I can demonstrate just the opposite of what the members of the committee have said.

After this loan comes into existence and it is carried along from time to time, it will be interpreted as a loan for carrying securities, and I think we ought to distinguish with respect to the inception of the loan so as to protect our business people and not have it construed by bureaucrats or by courts that have not taken these things into consideration, as placing an additional and an unwarranted burden on our people.

[Here the gavel fell.]

Mr. BRITTEN. Mr. Chairman, I rise in opposition to the amendment.

I am sorry that the distinguished, and always polite, great chairman of this important committee has seen fit to adopt the tactics of Gen. Hugh Johnson in "cracking down" upon Members of Congress and their so-called "chiseling" amendments. The word "chisel" is an old one, but it was made famous by General Johnson when he "cracked down" on the industries of the country.

The amendment before the committee when the distinguished gentleman was speaking was one which provided for a 60-percent credit and a 40-percent margin and had been presented by the gentleman from New Jersey [Mr. KENNEY]. What did that amendment provide in money? It provided that upon the purchase of a $10,000 security the buyer put up $4,000 and borrowed $6,000. There is nothing like chiseling in connection with a loan of that kind when you put $4,000 on a $6,000 credit. That is 75 percent.

I hope the gentleman or no other Member of this House will "crack down" on Members of equal standing. Every man is equal to every other man on the floor of this House, and I hope amendments will not be referred to as chiseling amendments and that no Member will be "cracked down" on for offering amendments. We do not deserve that, because we are trying to perfect a bill which has been written by a couple of youngsters—Cohen and Corcoran—who are sitting back here in the gallery—a couple of baby faces. [Laughter.] From here they look like fine, young, upstanding boys of 18 to 21 years of age.

Mr. BULWINKLE. Will the gentleman yield?

Mr. BRITTEN. Not now.

I want the House to know the type of young man that abounds in all of the important departments of the Government. They are brainy; they are good in principle; their character is all right. I have no complaint to make about that, and I had no objection yesterday to Benjamin Victor Cohen sitting on the floor with the chairman of the committee and the other members of the committee to advise them on the technicalities of this bill, which the members themselves did not understand, but which this young boy did.

Mr. OLIVER of New York. Then why are you always screaming about them?

Mr. BRITTEN. I am not screaming about anything.

Mr. OLIVER of New York. You are always screaming and screaming about them.

Mr. BRITTEN. Mr. Chairman, I decline to yield.

Every department of this Government is honeycombed, let us say, with fine, young men, like these boys; but they are only boys. They have had no political experience and not the slightest legislative experience. Perhaps they may have an ax to grind. They may not like the stock exchange. They might feel happy if the stock exchange, which is a

great medium of business, were closed completely. This might be pleasing to one of them, at least.

But the reason I rose was not particularly to call attention to them—they are undoubtedly very good boys, but they are boys, and I object to having their legislation before us and be refused the privilege to amend that legislation. There are men on the floor of the House who have vast legislative experience in drafting legislation.

These young men happen to have come from the "little red house" in Georgetown. [Laughter.] The distinguished chairman should not object to me because I happened to have referred to the "little red house." It is there that these men gather every night, and I am told by people who go there that they are a very charming set of young men, exceedingly bright, and that one of them tickles the piano keys like nobody's business. [Laughter.]

I like that type of young men, but if they write legislation for the floor of the House, I want the right to amend it or to offer an amendment if I feel that way; and I do not want my very dear friend—and he is a very dear friend of mine—I do not want him to crack down on his old friend FRED BRITTEN because he offers an amendment to improve this revolutionary piece of legislation. [Laughter.]

Mr. BULWINKLE. Mr. Chairman, I rise in opposition to the amendment. I hope the House will let the bars down for me as it has for the gentleman from Illinois. I feel sorry for the gentleman from Illinois, for no matter how much anybody tells him, the gentleman is so obsessed with the idea that Mr. Cohen and Mr. Corcoran are doing this nefarious work that he cannot sleep at night.

Mr. BRITTEN. The gentleman never saw me sleeping. [Laughter.]

Mr. BULWINKLE. No; I admit that; and am thankful that I have not. But it is pitiful to see the gentleman here talking about the "little red house." Has he ever been there? No; of course he has not. I stated to you yesterday, as well as to other Members of the House, that on the first bill that was drawn they—Mr. Cohen and Mr. Corcoran—did have something to do with it.

I also stated to you that the bill that is before the House now for consideration was drafted by the subcommittee. I do not agree with the subcommittee in all that they have done; but let us be just and let us be fair. It is the most important bill that has passed this session and the most far-reaching of any bill we have ever had before us. It is idle to spend 5 minutes talking about the "little red house" and the two boys.

By the way, I want to tell you that they are about as smart youngsters as you can find anywhere.

Mr. BRITTEN. They are too smart.

Mr. BULWINKLE. No; they are not. Just right.

Mr. BANKHEAD. Will the gentleman yield?

Mr. BULWINKLE. I yield.

Mr. BANKHEAD. Is not the gentleman of the opinion that the reason the sensitive nerve that has been touched in the gentleman from Illinois is because these gentlemen are so intelligent, so capable, and know so much about the nefarious practices of the New York Stock Exchange, and that they have had brains enough to lay their hands on some of the evils, and capacity enough to suggest a correction of them?

Mr. BRITTEN. The gentleman admits that they had hands on the legislation?

Mr. BULWINKLE. They have had their hands on the legislation in the first bill, and they know what they are doing.

Let us quit this kind of talk. Let us introduce our amendments to this bill, if we want to, and vote on them and argue the bill; but, in all seriousness, in all candor, it does not make any difference to me now who drafted the bill; let us give very careful consideration to the amendments introduced. The bill is here before us for consideration, and you and I and every Member in this House have a duty to perform in passing upon it; and all I say to the gentleman from Illinois [Mr. BRITTEN] is, do not let your obsessions weigh upon you, because when they become too strong they eventually drive you to a mental illness.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York.

The question was taken; and on a division (demanded by Mr. TABER) there were—ayes 46, noes 102.

So the amendment was rejected.

Mr. MAY. Mr. Chairman, I offer the following amendment which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. MAY: Page 13, line 22, after the word "prescribe" and before the word "rules", insert the word "reasonable."

Mr. RAYBURN. Mr. Chairman, I do not know what the gentleman's amendment means. Of course, he may understand it. If it means anything, it would bring about confusion. I trust the Committee will vote down the amendment.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Kentucky.

The amendment was rejected.

Mr. MARTIN of Colorado. Mr. Chairman, I offer the following amendment which I send to the desk.

The Clerk read as follows:

At the end of line 10, on page 14, strike out the period, insert a comma, and add: "*Provided*, The purchaser of any listed security under this act shall deposit not less than 45 percent of the current market price of the security at the time of purchase."

Mr. MARTIN of Colorado. Mr. Chairman, when I interrupted the chairman of the committee a few moments ago with reference to the matter concerning which I have offered an amendment, and which I read at the time, I stated that I was very strongly in favor of the bill, as far as it goes. The reaction that I noticed on certain faces was interesting and enlightening, and if those gentlemen were to ask me how far I would be willing to go on a bill of this kind, I would have to answer them at this time in the language of one of the Two Black Crows, "I'd hate to tell you."

Two schools of thought have been developed by the pending bill to regulate stock exchanges. One school holds the view that they should be thoroughly regulated and controlled along the lines of the bill, the other would merely give the exchanges a slap on the wrist, a Scotch verdict of "not guilty, but don't do it again." This last school recognizes the need of a gesture, they favor regulation, but not in the way prescribed in the bill.

There is another very general thought in the country regarding stock exchanges, not to be defined as a school, that these exchanges are gambling institutions, gambling in the wealth of the Nation, and mainly responsible for the disaster of 1929, which engulfed half the wealth of the Nation, and that they ought to be abolished. So strong and general is this view that if the proposition were to be submitted to a national referendum it would throw a scare into the stock exchanges compared with which the pending bill is a very mild sensation. The exchanges are lucky that Congress and not the country is regulating them.

The stock exchanges themselves are responsible for this state of the public mind. Originally, they were founded to facilitate the exchange of commodities, then of securities, but with the tremendous growth of commerce and industry, reflected in corporate stocks and bonds, they have been transformed into Monte Carlos on a planetary scale.

People do not go into the stock exchange to sell and buy things, they merely bet on what a security or a commodity will be quoted at tomorrow or some other day or maybe at a later hour the same day. All over the country, in all the cities and towns, are people playing the market, seated before blackboards or stock tickers, watching the figures and betting on them, and collecting their winnings and paying their losses, just as in any other game of chance. They do not own what they sell or get what they buy. It is not a business transaction at all, just gambling.

Mr. Chairman, I undertake to say that the New York Stock Exchange, for example, could not stay open one day

on legitimate exchanges of securities. No commodities exchange could operate on bona fide transactions. And yet so strongly entrenched is this institution that many good people, who would fine or imprison a cigar-store dealer or druggist for running a nickel trade slot machine, petition Congress against the rigid regulation of a system which permits a man to draw out his bank savings, mortgage his home, and hand over the proceeds to a broker he never saw to bet on a game he knows nothing about. Such is its hold on the people that a man of the cloth may hand over in this way the funds of a trust in his hands to bet on the market and nothing is said about it.

Will Rogers related his single experience on the New York Exchange. At the solicitation of his friend, Eddie Cantor, he bit on a sure thing. After putting up margin two or three times he went over to the broker and cashed out, not in. His friend Cantor stayed in until his loss is said to have been millions. Yet this is the game an unprotected public is permitted to buck and which it bucked to such an extent that it not only bankrupted America, but was drawing in the cash reserves of Europe. Gambling in the wealth of others, gambling in the necessities of life. Instead of stabilizing the economic life of the country, it frenzies it. Instead of building up an honest commerce, it converts business into a game of chance under a code of tricks and practices which would be permitted by the authorities in no gambling house.

This bill is not going to suppress gambling. It is only designed to keep it within bounds to the end that it may not again destroy the prosperity of the country. And the institution, foreseeing that the country may soon again be worth plucking, wants no burglarproof contraptions. Coming to the amendment I have offered, it wants no fixed marginal requirements. It may again need to divert the bank reserves into channels of speculation to finance the sale of $2 stocks for $60 and all the other nefarious practices which blew the biggest bubble in history. Having to put up a 45-cent margin may limit the sucker crop. It looks too much like business, too little like gambling, so they want no marginal requirement, and especially no fixed requirement.

They have help here from gentlemen who are very vocal when some poor little rich boy is going to get stepped on. It may be disclosed that the poor little rich boy is paying no income taxes, and they are silent. It may be disclosed that some poor little rich boy has spent a billion dollars to fictitiously kite his stocks on the market, which billian dollars was collected from the people of the country by an army of high-powered salesmen, and they are dumb. But when it is proposed to make the poor little rich boy at least play the game squarely, they have brainstorms about "little red houses" and "brain trust boys" down in the Departments. Some congressional districts in the United States seem not to be very particular about who represents them in Congress.

Mr. Chairman, I think it is dangerous for any Member to offer an amendment to this bill unless he is fairly grounded. He ought to know this bill thoroughly, and he ought to know stock exchanges thoroughly. Very few of us know either thoroughly. I am not among the few. A great deal of what I know about this bill I have read in the newspapers, but I have read both the bill and the report. The chief controversial feature of this bill is the marginal requirement. I have read much in the newspapers about that. If I recollect right, it was stated that one of the original drafts of this bill, although this is the only draft of it I have seen, carried a 60-percent marginal requirement. It was stated in the papers that the Senate would not stand for any such high provision as that and might scale it down to 45 percent.

The very able chairman of the committee, Mr. RAYBURN—and I am sure his handling of this bill has raised him in the estimation of this House, whether they are for the bill or not—says he thinks the language of the bill as it now reads is a more scientific phraseology to attain the desired end of the 45-percent marginal requirement, than the amendment I have offered, which provides in plain English that the purchaser of a security must deposit 45 percent of the current market purchase price at the time of the purchase. I will concede the gentleman may be right, and I would have accepted his answer and would not have offered this amendment had it not been for the fact that at the opening of the debate this morning the very able gentleman from North Carolina [Mr. BULWINKLE], a member of the committee, rose in his place and stated that the title to this section "Marginal requirement", was misleading or a misnomer; that there was no marginal requirement whatever in the section and that it was simply a limitation of credit.

When a Member of this House as able and experienced as the gentleman from North Carolina, himself a member of the committee, assumes responsibility for such a statement as that, it is small wonder that some doubt might exist in the minds of some lesser Members as to what is in that section and what will be the construction placed on it.

The chairman of the committee said he could see no objection to this language in my amendment, except that he believed the language of the bill as it now reads is more scientific and desirable phraseology. I realize that this amendment presents embarrassing aspects. If this amendment shall be voted down it will undoubtedly be construed as a rejection by this House of the requirement of putting up 45 percent of the purchase price of the stock upon the purchase of it. It will be a rejection of the requirement of a 45-percent margin or any other margin. I would not want to be responsible for any such embarrassment as that. My amendment may be inartificial. It is a sort of spur-of-the-moment idea, although I want to say that I have given enough attention to this legislation to have been impressed by the same thought voiced by the gentleman from North Carolina [Mr. BULWINKLE] this morning, and prior to his statement, that there are no marginal requirements in this bill. If we want marginal requirements in it, we should adopt this amendment, or have it explained plainly to the House that it is unnecessary and superfluous.

The CHAIRMAN. The time of the gentleman from Colorado [Mr. MARTIN] has expired.

Mr. RAYBURN. Mr. Chairman, I rise in opposition to the amendment. In answer to the gentleman, I said that is what we tried to do in the bill. I hope the gentleman did not get the impression that I endorsed the language of his amendment. We have it not only in (1) on page 14 with reference to 55 percent, but we go on in paragraph (2) and have another standard. Now, I fear that if the gentleman's amendment is adopted, we might as well strike out paragraph (2), because it would certainly make it confusing and would go right in the face of it, because it would not be an alternative proposition. As the language in these two paragraphs has been so thoroughly gone over, we certainly feel that we have covered the proposition with reference to what the margins are in the bill. I think it would be dangerous to adopt the amendment.

Mr. BRITTEN. Will the gentleman yield for a question, on condition, of course, that I refrain from referring to the little red house?

Mr. RAYBURN. Oh, no, no; but if the gentleman will not say again what he said yesterday and then took out of the RECORD, that these boys wrote this bill, I will yield to him.

Mr. BRITTEN. What I said yesterday was that they wrote every word in the bill, and then I changed that by merely saying that they wrote the bill.

Mr. RAYBURN. I did not hear the gentleman say the word "nearly", but it is all right. I yield to the gentleman.

Mr. BRITTEN. I should like to ask the gentleman seriously about this section 6, on page 15, line 13. That is subsection (c). Then going down to line 14, my impression of that language is that unless the security is listed or unless it is particularly exempted, no one can make a loan upon it as collateral.

Mr. RAYBURN. That is only brokers.

Mr. BRITTEN. It says "directly or indirectly." I am thinking of this situation: Many bank stocks are not listed; many bank stocks may not be exempted. There are certain joint stocks of insurance companies which may not be

listed and may not be exempted. They may be very high character stocks, paying dividends; but, as I understand the language under the terms of this bill, unless the stock were particularly exempted by this commission, through its rules, it could not be used for borrowing money at a bank or from anyone having direct or indirect connection with the stock market. Is that right?

Mr. RAYBURN. I think the gentleman is entirely in error. If the gentleman will read paragraph (c), of which (1) and (2) are subparagraphs, he will find this:

It shall be unlawful for any member of a national securities exchange or any broker or dealer who transacts a business in securities through the medium of any such member, directly or indirectly to extend or maintain credit or arrange for the extension or maintenance of credit—

And so on. Then (1) and (2) certainly are controlled by that, because they are subsections of subsection (c).

Mr. BRITTEN. That is true; that is the way I read it; but I must state that in the opinion of myself and others on the minority side the language appears definitely to take the stock I am talking about out of the field of use for collateral purposes.

Mr. Chairman, one of the most serious objections of section 6 is the clause on page 15 of the bill, lines 24 and 25, which prohibits anyone loaning on any collateral other than an exempted security or a security registered upon a national securities exchange. This prohibition against loaning on unlisted securities is going to seriously impair the collateral value of millions of dollars worth of good, substantial dividend-paying stocks. For example, it makes it impossible for a broker to loan any money on national-bank stocks. There are hundreds of millions of dollars worth of national-bank stocks that are dealt in over the counter and are just as good, if not better, than many listed stocks. What the object is in trying to destroy their collateral value seems obscure. In addition to the bank stocks there are the joint-stock life-insurance companies, the fire-insurance companies, many local securities of any name and nature. It is a financial crime to injure the collateral value of stocks of this sort owned by millions of investors in this country. If a margin must be fixed by statute—and it should not be fixed by statute, because a margin which is adequate today may be entirely inadequate a year hence—but if a margin must be fixed by statute, it should be a reasonable margin. It should be high enough to keep the small speculator from overspeculating; it should be low enough to permit a distinct market in securities and to avoid freezing the market.

Mr. RAYBURN. That is not the intention; and we think we have covered it pretty well.

Mr. BRITTEN. That was not the intention.

Mr. RAYBURN. Not at all.

Mr. BRITTEN. The gentleman does not think the bill does that?

Mr. RAYBURN. I do not.

Mr. MARTIN of Colorado. Mr. Chairman, after the explanation of the chairman of the committee, I ask unanimous consent to withdraw my amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Colorado?

There was no objection.

The Clerk read as follows:

RESTRICTIONS ON BORROWING BY MEMBERS, BROKERS, AND DEALERS

SEC. 7. It shall be unlawful for any member of a national securities exchange, or any broker or dealer who transacts a business in securities through the medium of any such member, directly or indirectly—

(a) To borrow in the ordinary course of business as a broker or dealer on any security (other than an exempted security) registered on a national securities exchange except (1) from or through a member bank of the Federal Reserve System, (2) from any nonmember bank which shall have filed with the Federal Reserve Board an agreement, which is still in force and which is in the form prescribed by the Board, undertaking to comply with all provisions of this act, the Federal Reserve Act, as amended, and the Banking Act of 1933, which are applicable to members banks and which relate to the use of credit to finance transactions in securities, and with such rules and regulations as may be prescribed pursuant to such provisions of law or for the purpose of preventing evasions thereof, or (3) in accordance with such rules and regulations as the Federal Reserve Board may prescribe to permit loans between such members and/or brokers and/or dealers, or to permit loans to meet emergency needs. Any such agreement filed with the Federal Reserve Board shall be subject to termination at any time by order of the Board, after appropriate notice and opportunity for hearing, because of any failure by such bank to comply with the provisions thereof or with such provisions of law or rules or regulations; and, for any willful violation of such agreement, such bank shall be subject to the penalties provided for violations of rules and regulations prescribed under this act. The provisions of sections 20 and 24 of this act shall apply in the case of any such proceeding or order of the Federal Reserve Board in the same manner as such provisions apply in the case of proceedings and orders of the Commission.

(b) To permit in the ordinary course of business as a broker his aggregate indebtedness to all other persons, including customers' credit balances (but excluding indebtedness on exempted securities), to exceed such percentage of the net capital (exclusive of fixed assets and value of exchange membership) employed in the business, but not exceeding in any case 2,000 percent, as the Commission may by rules and regulations prescribe as necessary or appropriate in the public interest or for the protection of investors.

(c) To hypothecate or arrange for the hypothecation of any securities carried for the account of a customer under circumstances that will permit the commingling of his securities without his written consent with the securities of any other customer.

(d) To hypothecate or arrange for the hypothecation of securities carried for customers' accounts under circumstances (1) that will permit such securities to be commingled with the securities of any person other than a bona fide customer, or (2) that will permit such securities to be hypothecated, or subjected to any lien or claim of the pledgee, for a sum in excess of the aggregate indebtedness of such customers with respect to such securities.

(e) To lend or arrange for the lending of any securities carried for the account of any customer without the written consent of such customer.

Mr. STOKES. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I desire to call attention to the fact that Wall Street is not made up of that group of men who happen to own seats on the exchange in New York City, but it is made up of that large group of people all over this country who buy and sell stocks and securities on the New York Stock Exchange. Probably at some time in their lives 50 percent of the Members of this Congress find themselves in this group and thus can be said to represent Wall Street. We can, therefore, hardly blame Wall Street for all the breaks and advances in the stock market. As pointed out by the minority report, it is estimated that something like 26,000,000 people in this country own stock holdings.

In a huge speculative market such as we had in 1929, when Pennsylvania Railroad stock, for example, sold at $130 a share, when brokers' loans amounted to $8,000,000,000, compared with the current price of $30 a share for Pennsylvania Railroad and $1,000,000,000 for brokers' loans, there was a greater need of rigid margin requirements. I think, therefore, that margin requirements should be flexible and should be controlled by some board such as the Federal Reserve Board, composed of men experienced in financial affairs. In fact, in times like 1929, when we had such a great speculative boom, it is better not to have any stocks bought on margin; they should be paid for in cash and cash alone.

The Securities Act of 1933 has unquestionably retarded business. It has retarded the flow of money into industry, both large and small, because of the civil and criminal liability linked inseparably with new securities issues. I have asked the Chairman of the Committee on Banking and Currency, the gentleman from Alabama [Mr. STEAGALL], to act in concert with the chairman of this committee, the gentleman from Texas [Mr. RAYBURN], to request the Federal Reserve Board to make a study of this act and to make such recommendations as they deem best toward encouraging business by the amendment of the Securities Act of 1933 before this Congress adjourns.

Mr. HOLMES. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HOLMES: On page 18, line 20, after the comma, insert the following: "from a savings bank not doing a commercial banking business."

Mr. HOLMES. Mr. Chairman, as I look over this bill I am quite convinced that it is going to injure seriously many manufacturing concerns in the United States. It will also

take away from savings banks an avenue which they have always considered a secondary reserve for investment.

I find on page 63 of the Federal Reserve Act, section 2, the following language:

SEC. 2. That section 11 (k) of the Federal Reserve Act be amended and reenacted to read as follows:

"(k) To grant by special permit to national banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State in which the national bank is located.

"Whenever the laws of such State authorize or permit the exercise of any or all of the foregoing powers by State banks, trust companies, or other corporations which compete with national banks, the granting to and the exercise of such powers by national banks shall not be deemed to be in contravention of State or local law within the meaning of this act.

"National banks exercising any or all of the powers enumerated in this subsection shall segregate all assets held in any fiduciary capacity from the general assets of the bank and shall keep a separate set of books and records showing in proper detail all transactions engaged in under authority of this subsection. Such books and records shall be open to inspection by the State authorities to the same extent as the books and records of corporations organized under State law which exercise fiduciary powers, but nothing in this act shall be construed as authorizing the State authorities to examine the books, records, and assets of the national bank which are not held in trust under authority of this subsection."

The Federal Reserve Act recognizes the sovereign right of a State to deal with its own State banks. The Banking Act of 1933 contains several references to previous legislation recognizing the sovereign right of the States to control and regulate their own banks.

That portion of section 7 of the bill under consideration, appearing on page 18 of the print, makes it unlawful for any member of a national securities exchange or any broker or dealer: First, to borrow other than through a member bank of the Federal Reserve System; second, from any member bank which shall have filed with the Federal Reserve Board an agreement which is still in force.

I shall not read the balance of the paragraph.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. HOLMES. I yield.

Mr. MAY. Does the gentleman think a man could borrow from a State bank which was not a member of the Federal Reserve System?

Mr. HOLMES. It would be unlawful for a member of a national securities exchange or any broker or dealer to borrow money.

[Here the gavel fell.]

Mr. COOPER of Ohio. Mr. Chairman, I ask unanimous consent that the gentleman from Massachusetts may be permitted to proceed for 10 additional minutes. The gentleman is a member of the Committee on Interstate and Foreign Commerce, and did not take any time during general debate.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. HOLMES. I may say to the gentleman from Kentucky that under this section of the act it is made unlawful for any member of an exchange, any dealer, or broker to borrow money from any bank unless it is a member of the Federal Reserve System.

Mr. MAY. That would undoubtedly have a serious effect on nonmember banks should it become effective.

Mr. RAYBURN. On nonmember banks, that is true.

Mr. HOLMES. Besides, it places them at a very great disadvantage unless they file an agreement, get a license, and are willing to conform with the Federal Reserve Act and the Banking Act of 1933, which acts have recognized the sovereign right of the State to control and regulate its own State banks and do not compel them to be members of the Federal Reserve System.

I have a report here of 567 mutual savings banks in the United States. They are not commercial banks. These savings banks are just the custodians of the depositors' money, and they will be prevented from making loans to a member, broker, or dealer under the terms of section 7. This also applies to trust companies and other nonmember banks which have been chartered by any State in the Union.

In Massachusetts alone the records I have received show that during the past 5 years $121,000,000 has been loaned to brokers and dealers, and during this whole period of 5 years the loss has been less than one half of 1 percent on those loans. Naturally the savings banks in my State—and I think this is true of other States, according to the brief filed by the Association of Mutual Savings Banks of the United States—want to preserve that market as a secondary avenue for investment of surplus funds where they may have a ready yield and get a quick turnover in case their depositors need the money. The resources of these combined 567 mutual savings banks amount to $10,856,000,000. Naturally they complain because this avenue of investment is going to be taken away from them.

In my own State, in establishing the savings-bank law the legislature has prescribed what investments these mutual savings banks may make. They cannot buy speculative securities, and they cannot buy speculative stocks, because they have to comply with the legislation passed by the legislature governing the savings banks of my State. They have to confine their investments to the highest type and the highest grade of securities.

I believe it would be a crime to deprive these banks of the privilege of investment as prescribed by their own legislatures. I personally have had a good many sleepless hours over this legislation as a member of the committee, because I realize its far-reaching effect, not by what the terms of the bill set forth but by what the Commission may do by its rules and regulations. That is the feature which worries me.

Mr. RICH. Will the gentleman yield?

Mr. HOLMES. I yield to the gentleman from Pennsylvania.

Mr. RICH. If a bank, then, is not a member of the Federal Reserve, it would be unable to loan to an individual on stock deposited with it even though the stock might have been bought through a broker and deposited with this bank in order that the individual might transact business with the bank?

Mr. HOLMES. If he is dealing in securities, they are prohibited by law from making any loan whatsoever on the stock.

Mr. RICH. Then, as a member of the committee, the gentleman is offering an amendment here?

Mr. HOLMES. I am offering an amendment to the bill which would permit members of the exchange, brokers and dealers, to borrow from the mutual savings banks of the United States on securities.

Mr. RICH. Is the gentleman going to be considered a chiseler for offering this amendment?

Mr. HOLMES. I might be, but I do not believe so.

May I further augment my statement, because I have not taken any time on the bill previously. The reason I have worried about the legislation is because I have here a census report taken in 1929, and naturally I am more interested in the statistics from New England's point of view.

I find the statistics for Connecticut show that in 1929 there were 3,129 industries in that State. They employed 36,155 salaried employees. They also employed 251,861 wage earners.

The record for Rhode Island shows that that State has 1,701 industries, employing 14,048 salaried employees, and 126,068 wage earners.

Vermont has 927 industries, with 3,119 salaried employees and officers and 27,421 wage earners.

New Hampshire has 1,075 industries, employing 5,722 salaried officers and employees and 65,511 wage earners.

Maine has 1,565 industries, employing 6,640 in salaried officers and employees and 70,159 wage earners.

Massachusetts, my State, had 9,872 industries, which employed 81,670 salaried officers and employees and 557,494 wage earners.

In my own county I have over 1,100 different individual concerns, and in my own city alone there are nearly 600 different manufacturing concerns. Naturally I have been seriously troubled. The far-reaching effect of this bill will be such as to affect thousands of people employed in my State, in my county, and in my own district. The same is true of other States.

[Here the gavel fell.]

Mr. MALONEY of Connecticut. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

Mr. HOLMES. I just desired to give you that little picture of the employment situation in New England, but the same thing is applicable to every other section of the United States.

The statistics show that there are in American business today 1,313,000 retailers, 258,000 manufacturers, 112,000 wholesalers, and 31,000 banks, so that the illustration I gave for the little area of New England, as I said, is applicable to every other section of the United States.

As I said previously, I do not worry so much over what is in the bill. That is not what is troubling me; but if you read through the bill you will find that practically every section will say that it is unlawful to do this and that, and you will find in almost every section that the Federal Trade Commission may, by rules and regulations, go far beyond the scope of this bill as presented here. Of course, an appeal may be taken from these rules. There is no limit to what they can do under the act. That is the element of danger that I see in this legislation.

I am for just as strict control of the stock exchange as any man that ever walked on two feet, but I do not believe we can afford to take a chance to cripple thousands and hundreds of thousands of concerns that are furnishing daily employment to our people dependent upon them merely for the sake of getting at the medium of stock-exchange control. I think there are many amendments that could be submitted to this bill which would actually take the fear out of the hearts of industries now afraid to go ahead because of the far-reaching effect that this bill has upon the control of corporations, which corporations do not have their stock listed on any exchange in the United States.

They can, under this bill, not only control listed stocks, but they can govern and control unlisted stocks of corporations in the United States and make it more difficult for them to continue to do business. We are discouraging industry to continue to go forward and to eventually get us back into the realms of prosperity where we may again see the American family happy.

Mr. HOEPPEL. Will the gentleman yield?

Mr. HOLMES. I yield to the gentleman with pleasure.

Mr. HOEPPEL. Will this bill prevent Morgan and others from handing marked stocks under the table to their friends in political life?

Mr. HOLMES. No. It is my personal opinion it will not stop any of that type of business at all.

Mr. DUNN. Will the gentleman yield?

Mr. HOLMES. I yield.

Mr. DUNN. Is it not a fact that if this bill becomes law any man or woman desiring to invest money will know if they invest their money that it is in a safe place?

Mr. HOLMES. It may be true that this bill provides a medium where they can do that, but on the other hand, the Securities Act that we adopted last year, if it is of any value whatever, on any issue put out in the future, there must be the sanction and approval of the Federal Trade Commission before it can be put on the market.

Mr. DUNN. Does not this bill go a little further than the Securities Act that we passed in the special session and is it not more drastic?

Mr. HOLMES. I am not objecting to that feature of the bill. I am in favor of that particular part. I think proper light and information should be thrown around every security that has been issued.

Mr. DUNN. I thank the gentleman.

[Here the gavel fell.]

Mr. LEA of California. Mr. Chairman, if it were only a personal matter I should be very pleased to give support to the amendment offered by the gentleman from Massachusetts. He is deeply interested in his local affairs and it would be a pleasure to conform to his desire if that could be done consistent with the policy of this bill.

However, I think it is very important that we do not create any exceptions in this attempt to preserve control of credit.

This section refers to loans by members of the exchange, brokers, and dealers. There are three sources of loans which will be principally used in purchasing securities listed on the exchanges. One is the member bank of the Federal Reserve, another is the nonmember bank and the third is the broker's loan.

The gentleman from Massachusetts proposes that an exception shall be made in the case of mutual savings banks. It is probably true at the present time that the mutual savings banks are not lending a great amount of money to brokers for the purchase of stock, but if you should grant them that privilege, under credit conditions that will arise under this bill it would furnish a means of evading the control that this bill attempts to establish by placing in the hands of the Federal Reserve Board complete control over the credit that shall be used for the purpose of purchasing and carrying securities.

Mr. HOLMES. Will the gentleman yield?

Mr. LEA of California. In just a moment.

It would establish a special class of banks that would have the privilege of ignoring the rules established by the Federal Reserve for the purpose of preventing speculation or whatever may be the object in purchasing or carrying these securities on loans.

I now yield to the gentleman from Massachusetts.

Mr. HOLMES. I want to call attention to the fact that any mutual savings bank can enjoy the provisions of this bill if it is willing to accept a license and enter into an agreement with the Federal Reserve Board that they will comply with the various provisions I have mentioned. However, there is a grave question in my mind whether the State savings banks of Massachusetts or any other State will have permission to accept such license or grant without enabling legislation from the State giving them that privilege. This was true in the matter of taking advantage of the guarantee-of-deposits provision which we passed last year. Our savings banks could not take the benefit of that unless special legislation was passed to do it. Therefore they established their own guaranty fund, and, as I recall, would not allow the savings banks to join the Federal Reserve System to get the benefit of the guarantee provision. This affects also cooperative banks, insurance companies, and building-and-loan association groups that do somewhat of a banking business. All these interests are absolutely deprived of investing any money in securities under this act, and I maintain that this privilege should not be taken away from these institutions and that they should be allowed to invest their money in this way.

Mr. LEA of California. As the gentleman has stated, this privilege may be granted to nonmember banks. It is not necessary that they shall become members of the Federal Reserve System to get that privilege.

This section, in line 16, provides that they may borrow—

From any nonmember banks which shall have filed with the Federal Reserve Board an agreement, which is still in force and which is in the form prescribed by the Board, undertaking to comply with all provisions of this act, the Federal Reserve Act, as amended, and the Banking Act of 1933, which are applicable to member banks and which relate to the use of credit to finance transactions in securities, and with such rules and regulations as may be prescribed pursuant to such provisions of law—

And so forth.

So these mutual savings banks have the same privileges as other banks. In most instances, no doubt, a mutual savings bank would have the right to file and get this permission. If there be some case in which they do not under a State law have this right, then, of course, it would require permission, through the State law under which they are organized, to qualify them for making such loans. We must remember, however, that these brokers' loans covered by this section are made only for the purpose of purchasing and carrying stock, and this restriction does not interfere at all with the ordinary private business transactions where stock is put up as collateral to secure money for ordinary commercial purposes.

Mr. DUNN. Mr. Chairman and Members of the Committee, I rise in opposition to the amendment.

Mr. Chairman, the gentleman who just offered the amendment no doubt is very conscientious and sincere in his remarks on the bill before the House. I asked the gentleman, who just spoke, a question which I asked yesterday. This was the question: If the Fletcher-Rayburn bill is enacted into law, will it protect the people who desire to invest their money?

He admitted that it would. That is all I need to know about this bill.

I introduced a similar bill in the first session of the Seventy-third Congress.

Mr. Chairman, I live in one of the biggest manufacturing districts in the United States. I have received many letters and telegrams from the officials of the various industries desiring to impress upon my mind that if I support this legislation it means that I will be killed politically.

When I was a member of the Legislature of Pennsylvania for 6 years I always did what they did not want me to do, and yet I landed in Congress. [Laughter.]

I want the people of my district to know that if by voting for this real progressive, humanitarian piece of legislation is going to defeat me politically for the balance of my life, I am willing to be defeated, because I believe it to be one of the greatest bills ever presented in this House or in any legislative body in the world.

Now, I want to call attention to one thing more. In a Washington newspaper yesterday my secretary read to me where a man and his children were evicted from their home because he was unable to pay his rent. This condition is prevailing throughout the whole United States.

Ladies and gentlemen, I think the time has come when this Congress should enact a law which will prevent real-estate owners from putting people out of their homes, especially when they are out of work. We know that in the United States today there are thousands of men and women out of work, not because they want to be but because it is impossible for them to get employment, and they are unable to pay their necessary expenses.

It is a fact that women and children are being put out into the streets. It is true that many real-estate men are not able to pay their taxes. I think it is the duty of the Government to come forward and see that the rents of those people are paid; and also not permit utility companies, to turn off the water, light, and heat in the homes of these people because they cannot pay their bills.

Mr. HOEPPEL. Will the gentleman yield?

Mr. DUNN. I yield.

Mr. HOEPPEL. Is it not true that the Government ought to pay the depositors in closed banks, and also to relieve these monopolists of complete control of utilities?

Mr. DUNN. I agree with the gentleman. I do not hesitate to say that the progressive Democrats and progressive Republicans have done a great deal in the Seventy-third Congress in behalf of our citizens. However, before we adjourn let us enact legislation which will provide the necessities of life for the unemployed men and women of our country. [Applause.]

Mr. PATMAN. Mr. Chairman, I rise in opposition to the amendment.

FRAZIER-LEMKE BILL—MOTION TO DISCHARGE COMMITTEE

Mr. Chairman, rule 27, section 4, of the House of Representatives provides that a Member may present a motion in writing to discharge a committee from the consideration of a bill which has been referred to it 30 days prior thereto; the motion shall be placed in the custody of the Clerk, who shall arrange some convenient place for the signature of Members. A signature may be withdrawn by a Member in writing at any time before the motion is entered on the Journal; when 145 Members have signed the motion it shall be entered on the Journal and printed with the signatures thereto in the CONGRESSIONAL RECORD.

WHEN MOTION IN ORDER

The motion may be filed in 30 days, as the rule provides, but if the committee has not had an opportunity to pass on the legislation that fact should be taken into consideration. The author of any measure should want it fully discussed and considered by a committee. A committee can function much more easily and better results can always be obtained before a committee in the effort to discover the good and bad of a measure than in the House of Representatives. In the House the Members are bound by more rigid rules, a large number is present, and it is expected that a number of Members will know all about the measure and can answer questions in regard to every section of the bill, as well as to different amendments that may be proposed. Usually such amendments have been proposed before the committee, fully discussed, and the arguments in favor and against them well known.

BILL HANDICAPPED

A bill that comes before the House under the discharge rule is very much handicapped for these reasons, and the impatience of the Members caused by a general lack of understanding and cooperation may result in a very meritorious measure getting defeated. If it is defeated, no other motion for the discharge of a committee for that measure or a similar measure is in order during that session of Congress.

Therefore the proponents of any measure should seek a committee hearing and should only resort to a discharge motion as the last resort.

FRAZIER-LEMKE BILL

On the 1st of May 1933 a petition was filed to discharge the Committee on Agriculture from the further consideration of H.R. 2855, known as the "Frazier-Lemke bill" to refinance farm mortgages, to purchase farms, and extend credit to farmers on livestock at a very low rate of interest. It is a very important bill; it deals with one of the greatest problems we have to deal with. It involves a complete change of many major policies of government. Certainly such a measure should be fully considered by a committee and all the facts obtained, printed, and made available to all the Members of the House.

COMMITTEE ON AGRICULTURE FRIENDLY TO FARMERS

The Committee on Agriculture has demonstrated its sympathy, interest, and loyalty to the people engaged in agricultural pursuits. No other committee of Congress has ever at any time in the history of this Government done more for the farmers than this committee has done the past 12 months. Every member of this committee should be pleased with their great accomplishments in behalf of agriculture. The farmers of this Nation owe them a debt of gratitude.

HEARING REFUSED BY AUTHOR

I wanted the Frazier-Lemke bill brought before the House for consideration, although I was not committed to it in its present form, and believing that the committee would not grant a hearing on the proposal I signed the petition. Later I discovered that a hearing had not been refused but had been granted. It is my understanding that about 2 months ago the author of the bill in the House approached Congressman JONES, of Texas, chairman of the committee, and requested a hearing; Chairman JONES told him that just as soon as the committee finished with the administration bills a hear-

ing would be granted; about 2 weeks ago Chairman JONES announced that he was ready to grant a full and complete hearing on the Frazier-Lemke bill; the author of the bill refused the hearing. My name was withdrawn from the motion when I learned that the committee would consider the bill. I think it is unfair to try to force consideration of a bill in the House without a committee hearing, when the committee is ready and willing to grant a hearing. In fairness to the Members of the House all available information should be certified to them in printed hearings and be at their disposal when a bill is being considered.

PROPOSALS IN BILL

This bill will have to be materially changed before it can be enacted into law. It contains one great principle that I am intensely interested in, the principle that the farmers, home owners, producers, and wage earners should be permitted to use the credit of their Nation, within reasonable bounds and limitations, for a very low interest rate.

EFFECT OF FRAZIER-LEMKE BILL

Let us suppose the Frazier-Lemke bill as it is has been enacted into law. The following program for its enforcement will be adopted:

First. The Federal land banks will give public notice to the farmers of each county of the time of holding the first county convention which shall be held at the seat of government of each county. They shall at the same time give notice of the first convention of the State delegates, to be held at the State capital of each State.

Second. The farmers in each county will meet in mass meeting; only those who are indebted and declare an intention to take advantage of the act will be allowed to participate. Delegates to the State convention will be elected.

Third. The first convention of State delegates will be held at the State capital of each State. A member of the board of agriculture is selected from each State at the first convention, who shall receive $15 a day and necessary traveling expenses while on official business.

Fourth. The conventions held in each county and each State will make rules and regulations for their procedure and make arrangements for future conventions; they shall at all times cooperate and assist in liquidating and refinancing farm mortgages and farm indebtedness.

Fifth. The board of agriculture will meet in Washington, elect a chairman, secretary, and make such rules and regulations as they deem necessary and expedient to carry out the purposes of the act; they shall elect an executive committee of three, none of whom shall be members of the board of agriculture, who shall receive $7,500 annually and 5 cents per mile for traveling expenses.

Sixth. The members of the board of agriculture shall, (a) keep in touch with and report to the executive committee the progress of liquidating and refinancing farm mortgages and farm indebtedness in their respective States, (b) cooperate with county and State governments, (c) cooperate with all farm and cooperative organizations within their respective States to speedily bring about the liquidation and refinancing of farm mortgages and farm indebtedness.

Seventh. The executive committee of the board of agriculture shall, (a) advise with and supervise the work of liquidating and refinancing farm mortgages and farm indebtedness by the Federal Farm Loan Board and the Federal Reserve Board, (b) cooperate with said boards, with county and State governments, various farm organizations, and agricultural colleges of the Nation, in order to bring about a just and speedy liquidation and refinancing of farm mortgages and farm indebtedness.

Eighth. The executive committee of the Board of Agriculture shall report any member of the Farm Loan System or the Federal Reserve Board who neglects, hinders, or delays the carrying out of the provisions of the law, to the President of the United States, and it shall be the duty of the President, upon cause shown, to remove any such officer and appoint some other suitable person.

Ninth. Applications will be made by farmers to refinance their farms, purchase farms, or to obtain loans on livestock.

Tenth. Farm mortgages will be taken up to an amount equal to the fair value of such farms. If the farm has on it insurable buildings and improvements, 50 percent of their value may also be included. If there is a debt on any such farm in excess of these amounts, then such indebtedness shall be scaled down through the use of the Bankruptcy Act.

Eleventh. Who eligible to apply? Any owner of mortgaged farm, regardless of size or value; any farmer or member of his family who lost his farm through indebtedness since 1919, and who desires to purchase the farm lost or another farm; any tenant, or member of his family, who desires to purchase a farm, provided he has lived on and operated a farm as a tenant for at least 3 years prior to the enactment of the law.

Twelfth. How much interest will farmers pay? One and one half percent interest and 1½ percent on the principal will be paid each year until the debt is liquidated; at least 3 percent will be paid each year.

Thirteenth. Where will Government get the money? Farm-loan bonds will be issued which shall bear interest at the rate of 1½ percent per annum and offered for sale. If they cannot be sold, then the Federal Reserve Board shall cause to be issued Federal Reserve notes—currency—to an amount equal to the par value of such bonds as are presented to it, farm bonds to be held as security. The available surplus and net profits of Federal Reserve banks shall be invested in these bonds, and they may be purchased by the Treasurer of the United States. There will not likely be a market for bonds due in 47 years drawing 1½-percent annual interest.

Fourteenth. How much in Federal Reserve notes may be issued in this way? Until the amount of money in actual circulation shall exceed $75 per capita. This will increase our precent per capita circulation almost $33, or about $4,000,000,000 in all. I understand the author of the bill is advocating restricting the amount to $3,000,000,000. The per capita circulation of money at this time is about $42.

Fifteenth. The same kind of credit may be extended to farmers on livestock for breeding or agricultural purposes to an amount equal to 65 percent of the fair market value thereof, such loans to run for 1 year and bear 3-percent interest.

Sixteenth. In case of crop failures and other meritorious cases, the time of payments due on loans may be extended for a period not exceeding 3 years, provided the mortgagor pays the taxes. This extension may be granted by the executive committee of the Board of Agriculture.

FACTS COMMITTEE SHOULD ASCERTAIN AND REPORT ON

Since it is evident that all farmers eligible to apply for the benefits contained in the act cannot be accommodated, but only a very few of them, some consideration should be given to distribution of the benefits among the most worthy. In other words, tenants should not be denied this credit because the big landowners who are engaged in farming for speculation and profit, and not for a livelihood have already gotten commitments sufficient to absorb all the credit that will be extended; or to allow one person to buy 1,000 acres and deny 20 farmers the privilege of buying 50 acres each. Another question: Should credit to the amount of the fair value of the property be extended? Should a board elected by a mass meeting of interested parties be given supervision over such loans and the power to extend payments that are due? What effect will such a law have on the other credit operations of the Government?

It was estimated in 1932 that approximately $12,000,000,000 of mortgage debt was outstanding on all farm property, including chattel mortgages.

NUMBER OF FARMS AND FARMERS

The 1930 census discloses that we have 6,288,648 farms in this country, that 2,911,644 full owners operate 372,449,683 acres, 656,750 part owners operate 245,926,107 acres, 55,889 managers operate 61,985,902 acres, and 2,664,365 tenants operate 306,409,324 acres.

All the 2,911,644 full owners of farms, except 184,618, furnished information which disclosed that 53.9 percent of the full owners did not owe anything on their farms. The other

46.1 percent had their farms mortgaged for a total of $4,080,176,438.

The full owners of mortgaged farms, representing less than 20 percent of all farms, owe an amount sufficient to absorb the $4,000,000,000 authorized by the Frazier-Lemke bill.

TOTAL VALUE, ALL FARMS, $57,000,000,000

The 1930 census further disclosed that the total value of all farm land, not including buildings, implements, machinery, and livestock, amounted to $34,929,844,584; the buildings were valued at more than twelve billions; implements and machinery, more than three billions; and livestock at approximately $6,000,000,000, making a total valuation of more than $57,000,000,000. This is about 14 times the amount allowed in the Frazier-Lemke bill.

TENANT FARMERS OPERATE FARMS WORTH $16,000,000,000

The 1930 census discloses that 2,664,365 tenants operated farms valued at $16,381,557,526; this amount is about four times the amount allowed in the Frazier-Lemke bill. Every tenant farmer will desire to take advantage of this act; it will be very much to his advantage to do so. Will there be any requirements as to his ability to operate the farm after it is purchased or the size and value of the farm that may be purchased? If he lost a 20-acre farm in Texas, will he be permitted to buy a 1,000-acre farm in Iowa? Many such questions arise in the consideration of this legislation and should be thoroughly investigated and reported on by the committee.

ABOUT 200,000,000 ACRES IN FARMS OVER 500 ACRES EACH

Eighty thousand six hundred and twenty of the farms listed in the 1930 census contained more than 1,000 acres each and 159,696 of them contained more than 500 acres each but less than 1,000 acres.

LIBERAL CREDIT POLICIES OF PRESENT ADMINISTRATION

One of the happiest days of my legislative service was the day the Government invoked the policy of extending direct credits to the farmers of this country. Much has been done the past 12 months in that direction. Farmers are now able to obtain money from Government sources for 5½-percent annual interest to enable them to carry on their farming operations. As a tenant cotton farmer I paid as high as 24-percent annual interest for credit to conduct farming operations. In many places in the South it is customary for 10-percent interest to be charged for the whole year, although the credit is used by the farmer only a few months. The present administration has stopped such indefensible practices; it has also given the death blow to old 10-percent interest in any form. Interest rates to farmers are cheaper today than they have ever been during our entire national existence.

LANDOWNERS BENEFITED

Farms are being refinanced at a low rate of interest; the Government is guaranteeing the payment of bonds that are secured by mortgage loans on farms and homes. Farmers' debts are being scaled down.

TEXAS FARM-LOAN RATES REDUCED

An analysis of more than half the loans closed in Texas by the land bank and bank commissioner from June 1, 1933, through March 31, 1934, the administration has reported, shows that interest charges which formerly ran from 5 to 9 percent now carry a maximum interest rate of 5 percent, with a large proportion on a 4½-percent basis. Second mortgages are included in this analysis. It cannot be said that nothing is being done toward helping the farmer scale down his debt and interest burdens. Much is being done, substantial progress is being made in that direction at this time, and we hope it continues.

COMMITTEE ACTION NECESSARY

For the reasons I have endeavored to point out, the Frazier-Lemke bill should first be thoroughly considered by the Committee on Agriculture and a full report, along with printed hearings, should be made to the House before the bill is brought up for final passage in that body. I am hoping the bill will be considered by the committee at an early date.

Mr. DIRKSEN. Mr. Chairman, I move to strike out the last two words. I suppose that long after the names of the alleged authors of this bill are gathered unto obscurity, the provisions of the bill will continue to go marching on. I am, therefore, not concerned as to the authorship, but rather as to the merits or soundness of the present proposal. I am not going to hide behind any fancied amendment. I am going to defer to the wishes of the chairman of the committee and help him vote down all amendments that are offered, and then I intend to vote against the bill. Reasons for voting against a measure of such importance as this should not be founded on mere trivia. There ought to be some vital consideration for voting against this measure. I feel that the chairman of the committee is fundamentally correct in resisting all amendments, because that committee has spent 9 or 10 weeks on the bill. To permit Members of this House, without reference to some of the text that appears in some later sections of the bill, to tear it apart, is one of the distressing things about parliamentary procedure in this body. We had an experience with the District of Columbia liquor bill. I was a member of that committee, but when we got through with the carpenter work on this floor we made a mess of the bill. Consequently, I am going to abide by the thing that the committee has presented to this House, and then vote against or for the bill as its provisions appeal to me.

Now for the reasons on which I predicate my intention to vote against the bill. In the first place, I believe the philosophy of this bill is a good deal like the so-called "political party" they had immediately after the Civil War, which was called the "Barn Burners." You may remember the name of that party, named after the experience of a gentleman down in one of the Carolinas, who had a barn that was infested with rats, and who, in order to get rid of them, burned down the barn. I am fearful that perhaps we may be doing the same thing here in burning down the barn of incipient bank-credit recovery if we pass a bill of this kind, simply to kill a few rats in the form of abuses. I do not have to apologize for my attitude on this matter by saying that I am in favor of regulation, because I do favor regulation and control of the exchanges. It seems to me that everybody who came to the well of the House stated that he was in favor of regulation and control of stock exchanges, but many were afraid that perhaps this bill went too far. I have not heard anyone as yet raise the question as to whether there is an impelling need for this bill at this time. The question in my mind is whether there is a single sound reason for a bill that goes far beyond regulation of the exchanges now. Why such legislation now?

An examination of the report on member banks of the Federal Reserve System, issued last week by the Federal Reserve bank, is rather illuminating. Do you know that according to the Federal Reserve Reporter, which reports for one half of all the banks in the country that are members of the Federal Reserve System, commercial loans this week are $19,000,000 less than last week, that last week they declined $75,000,000 after an advance in the previous 3 weeks of only $55,000,000. All the gains that were made in the 3 weeks prior to the last 2 weeks have been wiped out by the decline in credit expansion. We had hoped that there would be a large expansion in bank credit as seemed so necessary to recovery, so that home building, factory operations, and other activities might gain momentum, but seemingly those hopes have been dashed.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. DIRKSEN. Mr. Chairman, I ask unanimous consent to proceed for 5 minutes more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. DIRKSEN. We are toying now with a credit industry bill, and they are talking about a Glass bill to pump credit into the economic life-stream of this Nation, while the very avowed purpose of this bill is to control credit, and put it in a strait-jacket at the very time when recovery seems to

be more or less precarious, so far as industry and business are concerned.

Mr. CROSS of Texas. Mr. Chairman, will the gentleman yield?

Mr. DIRKSEN. Will the gentleman excuse me for a minute? Commercial loans have declined, security loans have declined, and on the 25th of April 1934 the Federal Reserve System reports that the ordinary loans are $99,000,000 less than they were 1 year ago, and that security loans are $122,000,000 less than they were a year ago. You get the full implication of those figures when you realize that we were almost at the very bottom of national despair a year ago, and now come figures from the Federal Reserve System stating that commercial loans and security loans are over 100 million less than they were when somehow the life stream of business and industry was at the very lowest ebb. Are we going to load additional impedimenta, additional obstacles, additional burdens upon the slim thread of recovery at the present time?

I recently received a verbal report from my district showing that the relief roll has ascended in my county from 500 to 1,200 in the last month. I have received other reports about recessions in business; about these declines in the grain market, where corn has lost 14 cents of the gain it made since last October. I am alarmed about that sort of thing. Farmers are alarmed; business is alarmed, and the unemployed are concerned. Frankly, I am laboring at the present time under fear and apprehension that if I vote for this bill I may be adding weight to the recovery burden, and that we may somehow start further disastrous declines that may add to the unemployment rolls, that may add to the difficulties which business has encountered, and ultimately set up a grave barrier and obstacle to recovery. Nobody has shown in argument, either in general debate or otherwise, that there is an impelling reason for this bill now. Why can it not be deferred a little while, instead of tampering with the confidence that has been slightly reinduced in business and industry in the country? That is what concerns me. I never bought a share of stock in my life. I never sold a share. I never bought or sold a bushel of grain in my life. If they want to tar me with the pitch of the stock exchange, well and good, but the fear under which I am laboring at the present time is entirely self-induced, and I am afraid we are going to load the last straw upon the camel's back that will ultimately send us down hill instead of continuing on that long, slow, tedious climb up the hill.

My objections to the bill are largely found in sections 6 and 7, although there are others. I have not heard any satisfactory explanation as yet about loans on unlisted collateral. Going back to section 6 on page 15, subsection (c), if you will scrutinize it, this is what you will find: That—

> It shall be unlawful for any member of a national securities exchange or any broker or dealer to advance or maintain a line of credit upon any other security except a registered security or an exempted security, with this condition——

The CHAIRMAN. The time of the gentleman from Illinois has again expired.

Mr. DIRKSEN. Mr. Chairman, I ask unanimous consent to continue for another 5 minutes.

Mr. RAYBURN. Well, Mr. Chairman, the gentleman has been speaking out of order most of the time.

Mr. DIRKSEN. I tried during the general debate to get a little time on the bill, and the gentleman knows how difficult it was. I ask indulgence to speak to sections 6 and 7.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. RAYBURN. We have passed section 6.

Mr. DIRKSEN. I am reading it in connection with section 7, which we are discussing at the present time. When we consider section 6, that it is unlawful for a broker or a member or a dealer to loan on anything except a registered or exempted security, with some condition that shall be written into it by rule or regulation of the Federal Reserve Board——

Mr. DUNN. Will the gentleman yield for a brief question?

Mr. DIRKSEN. I yield.

Mr. DUNN. Why does the gentleman object to that part of the bill? I think that is the most important part of it.

Mr. DIRKSEN. Let me continue, please, and we will get to the point. Now, that brings to mind all that other class of securities known as "unlisted securities", which are the securities of some of the corporations in my district and in every other district in the Nation. In other words, by this section, no member's, dealer's, or broker's loan on those unlisted securities shall be made, except in accordance with the provisions of this act. Is that a correct statement, Mr. Chairman?

Mr. RAYBURN. Well, for the purpose of buying other securities.

Mr. DIRKSEN. Yes; for the purpose of carrying or buying other securities.

Mr. RAYBURN. If the gentleman will allow me, that goes to the very heart of the act, for the simple reason that we do want in some way to restrict speculation.

Mr. DIRKSEN. Very well. Now, that comes to what I want to discuss. When you consider section 6, which lays restrictions on the borrower from any other institution except Federal Reserve banks, when you interpret the borrowing provision in section 7 of this bill, you must read it in connection with other restrictions that have been placed upon banks. There is the Federal Deposit Insurance Corporation. Here are the restrictions imposed by the Treasury. Here is the banking act, the R.F.C., and a great many other things that will make it difficult for you to take even sound investment security and get money on it at a bank. Moreover, that is controlled now by the Federal Reserve Board under the provisions of this bill. The result is what? An investor would like to go to a broker or a dealer and take unlisted security that is sound in every sense, that is a part of his investment portfolio as one of the durable, long-term investments, and this bill says he cannot do it; it is an unlisted security. It may be the security of some good, sound corporation in your district or mine, and because of the combined restrictions in sections 6 and 7, here is the ultimate effect: You are going to disturb the marketability of unlisted securities. Let me say to you that the value and the current price of the unlisted security is largely determined by three factors: First, the safety of the principal; second, the income; and, third, the marketability. If you destroy or disturb the marketability you disturb the value. The reason I am going to vote against this bill is because I am afraid it will disastrously affect the security value of those corporations in my district that have at some time in the past issued unlisted securities. That is the reason for it, along with the fact that I am not ready as yet to put any further load upon the recovery which we are experiencing at the present time. There is no particular mystery about those objections. [Applause.]

Mr. Chairman, I yield back the balance of my time.

Mr. GIFFORD. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, at this particular moment I want to report that on yesterday afternoon a few of us attended the meeting of the Chamber of Commerce of the United States. We were particularly interested to know what that large body of the business men of the country gathered here in Washington might be saying as to the effect of the Securities Act and the pending bill. While the speakers were very restrained in their language, they were none the less very insistent in their statements that the Securities Act had had a very ill effect on recovery.

Many of us feel compelled to vote against this bill because we are convinced that it will retard recovery.

Reform seems to be more important than recovery to this administration. We all desire to stop the manipulation of securities on the stock market; everyone is agreed as to that; but at this particular time, with conditions as they are and business afraid to go ahead, recovery should come first. As was said yesterday at that meeting, some instrumentality must underwrite the securities necessary to be issued to

continue business. Must it be done by more agencies of the Government itself? Private capital will not assume the risk under the Securities Act. Had I not been a mere Member of Congress—and I can well imagine how those business men probably feel about a mere Member of Congress—I would have perhaps suggested that if this act passes, taken in conjunction with the Securities Act, the Government, of course, will be expected to create many more lending agencies, because of the failure of banking facilities, whatever may be the reasons. Whether more direct and more liberal loans are to be made by the Federal Reserve Board or by the Reconstruction Finance Corporation, it now seems that industry will have to be financed generally through governmental agencies; and the banks will be left with about the only business they are now doing, buying and selling the bonds that the United States Government sees fit to issue; and they necessarily must buy them all, no matter how many may be issued, because the United States Government credit must be preserved at all hazards. When the question is asked how many can or may be issued, the answer is that there seems no limit to the amount with conditions continuing as they are. Thus the banks will finance business indirectly.

I think we have gone far enough in the matter of reform for the immediate present, and that the matter of recovery ought to be most persuasive in our minds at this particular time. Is Congress going to pay no attention at all to the voice of the business men of this country?

Have you read the morning papers, which seem to show that business is practically unanimously against this and other legislation of this character and wants to be let alone for a little while? The passage of this bill can wait a little upon recovery. Its passage at the present time is not absolutely necessary. Why not enact into law that portion of this bill which prevents manipulation and then stop? But do not change the relationship of the bankers and their customers, who may be still willing to risk continuance of their business.

It has been stated on the floor of the House many times recently that there is very little business paper being presented for rediscount and that the Federal Reserve has an insufficient amount to issue Federal Reserve notes needed. Why do we not attempt to help and not retard business? Why do we not do something to regain the confidence of those on whom we depend to do business and furnish employment? This is a long and most difficult bill to fully comprehend the effect it will have, but certainly business men are generally fearful of it.

I repeat: Pay more attention to recovery. Do nothing at this critical time to further retard business. [Applause.]

Mr. RAYBURN. Mr. Chairman, the speech of the gentleman from Massachusetts is not very alarming to me. I have heard similar speeches for 12 months. I think the gentleman from California answered the argument of the gentleman from Massachusetts on his amendment. I call for a vote on the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts [Mr. HOLMES].

The question was taken; and on the division (demanded by Mr. HOLMES) there were—ayes 38, noes 83.

So the amendment was rejected.

The Clerk read as follows:

SEC. 8. (a) It shall be unlawful for any person, directly or indirectly, by the use of the mails or any means or instrumentality of interstate commerce, or of any facility of any national securities exchange, or for any member of a national securities exchange—

(1) For the purpose of creating a false or misleading appearance of active trading in any security registered on a national securities exchange, or a false or misleading appearance with respect to the market for any such security, (A) to effect any transaction which involves no change in the beneficial ownership of such security, or (B) to enter an order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties, or (C) to enter any order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties.

(2) To effect, either alone or with one or more other persons, any series of transactions in any security registered on any national securities exchange, for the purpose of raising or depressing the price of such security.

(3) If a dealer or broker, or other person selling or offering for sale or purchasing or offering to purchase the security, to induce the purchase or sale of any security registered on a national securities exchange by the circulation or dissemination in the ordinary course of business of information to the effect that the price of any such security will or is likely to rise or fall because of market operations of any one or more persons conducted for the purpose of raising or depressing the price of such security.

(4) If a dealer or broker, or other person selling or offering for sale or purchasing or offering to purchase the security, to induce the purchase or sale of a security registered on a national securities exchange by making a statement of any material fact regarding such security which he knows or has reasonable ground to believe is false or misleading; but any such statement, insofar as it is limited to facts set forth in any application, report, or document filed pursuant to this act, shall not be deemed false or misleading unless the person making such statement knew or had reasonable ground to believe that it was false or misleading.

(5) For a consideration, received directly or indirectly from a dealer or broker, or other person selling or offering for sale or purchasing or offering to purchase the security, to induce the purchase or sale of any security registered on a national securities exchange by the circulation or dissemination of information to the effect that the price of any such security will or is likely to rise or fall because of the market operations of any one or more persons conducted for the purpose of raising or depressing the price of such security.

(6) In contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors, to effect either alone or with one or more other persons any series of transactions for the purchase and sale of any security registered on a national securities exchange for the purpose of pegging, fixing, or stabilizing the price of such security.

(b) It shall be unlawful for any person to effect, by use of any facility of a national securities exchange, in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors—

(1) any transaction in connection with any security whereby any party to such transaction acquires any put, call, straddle, or other option or privilege of buying the security from or selling the security to another party to the transaction without being bound to do so; or

(2) any transaction in connection with any security with relation to which he has, directly or indirectly, any interest in any such put, call, straddle, option, or privilege; or

(3) any transaction in any security for the account of any person who he has reason to believe has, and who actually does have, directly or indirectly, any interest in any such put, call, straddle, option, or privilege with relation to such security.

(c) It shall be unlawful for any member of a national securities exchange directly or indirectly to endorse or guarantee the performance of any put, call, straddle, option, or privilege in relation to any security registered on a national securities exchange, in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

(d) The terms "put", "call", "straddle", "option", or "privilege" as used in this section shall not include any registered warrant, right, or convertible security.

(e) Any person who willfully participates in any act or transaction in violation of subsection (a), (b), or (c) of this section, shall be liable to any person who shall purchase or sell any security at a price which was affected by such act or transaction, and the person so injured may sue in law or in equity in any court of competent jurisdiction to recover the damages sustained as a result of any such act or transaction. Every person who becomes liable to make any payment under this subsection may recover contribution as in cases of contract from any person who, if joined in the original suit, would have been liable to make the same payment. No action shall be maintained to enforce any liability created under this section unless brought within 3 years after the violation upon which it is based.

(f) The provisions of this section shall not apply to an exempted security.

Mr. KOPPLEMANN. Mr. Chairman, I move to strike out the last two words.

Mr. Chairman, my advocacy of legislative control of our stock exchanges and its affiliated business did not begin with the crashes of 1929. Years before that when I was a member of the Connecticut State Legislature I pleaded for such laws in my State. The bills failed because the brokers and a highly paid lobby saw to it.

The practices of these same brokers which led me to urge corrective legislation then are the same practices which brought to a head the public demand for the bill we are

today considering. I am proud to be a member of this Congress which is attempting now—and I pray our efforts will be successful—to enact laws which aim to end the crimes which have been permitted under our financial system. I am happy that I am once again in a position to support a measure which has for its purpose the protection of those millions of small investors who confidently entrust their savings to the commercial and industrial enterprises of this country in the belief that these are safe for investment.

The stock of the strongest company was not immune from the avalanche when the bubble of gambling prices burst and billions of dollars disappeared in the thin air, leaving in their place despair, hunger, homelessness and hopelessness. You and I took our losses too.

The public is easily swayed by smooth salesmanship. The public does not look deeply into a situation. There is no point in arguing that human nature will gamble, regardless of laws promulgated to make gambling illegal. There is such a thing as laws which will prevent robbery committed because of the guilelessness of people. The public must be protected.

Until a generation ago financial panics hurt men and women of means, and no legislation was needed to regulate the exchanges. Those people knew what they were doing and took their chances. But today the activities of the stock exchanges are not confined to persons of wealth. Every banker, industrialist, tradesman, shopkeeper, stenographer, housewife, laborer, and maid-of-all-work either has owned or is putting aside for a day when they may have money enough to buy stock.

For these people protection is needed, and that is what this bill will give.

If the stock market were a separate institution apart from any other activity of our economic system, the restrictions brokers place upon themselves would be sufficient. But it is not. The stock market is intertwined with every industrial, financial, commercial, economic, even intellectual, pursuit. It is because of the enormity of its influence that its activities must be absolutely above reproach.

I do not have to go into the financial piracies committed by brokers which contributed so drastically to the horrors of the depression from which we are only just emerging. This bill seeks to correct and eliminate those practices.

I come from a financial city. My mail is flooded with protests to any regulatory legislation of the stock exchanges. I have asked these people how many securities houses have closed their doors because of the difficulties of operating under the Securities Act. I have asked them also how many new investment houses have opened up since the enactment of the Securities Act. But when I ask specific questions of this nature they do not answer. They seem to have forgotten that during the days preceding the fall of 1929 money, instead of going at legitimate interest to the aid of industry, went, instead, to the financial marts, where it was loaned at an interest of 20 percent and higher for the purpose of enabling the public to purchase securities, many of them out-and-out fakes.

Industry has been begging for years for the help which is due it. And suddenly the bankers and the brokers discover that they are afraid to help because the law is strict. Where were they when the laws were loose?

When the opponents of this bill say that this legislation will impair our personal liberty and our rugged individualism, I ask them, What personal liberty, what individual rights would a stockholder possess who never could find out what the companies in which he was investing were earning, whose directors and officers used inside information for their personal gain? What individual liberty did the employees of the National City Bank possess when they were sold out while the bank's officers were loaned money—oftentimes at no interest charge? What individual liberty would the investor in Brooklyn-Manhattan Transit Co. have when that stock was sold short by officers knowing that dividends would be omitted at the forthcoming meeting?

Brokers and bankers have themselves to blame for this legislation. They cry about radicalism. The stanchest friends the Communists had were Wiggin, Mitchell, and Insull.

You know the details of this measure. You know what each of its provisions aims to do. Let the opponents of this bill protest the infringement of their rights with weak voices. The people are with us, and so is every honest broker.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. KOPPLEMANN. I yield.

Mr. RICH. If an industry in the gentleman's district should go to a bank in the gentleman's district to borrow money with which to conduct its business and find that because of this bill it could not borrow the money, would the gentleman still consider this a good bill?

Mr. KOPPLEMANN. On account of this bill?

Mr. RICH. Yes.

Mr. KOPPLEMANN. No.

Mr. RICH. Then the bill is not good.

[Here the gavel fell.]

Mr. KENNEY. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, some time ago the President of the United States sent a report to the Congress having to do with stock-market regulation. The report was prepared by the Assistant Secretary of Commerce, John Dickinson. It dealt with various matters relating to the stock market and concluded with the following statement:

> It must always be recognized that the average man has an inherent instinct for gambling. If abolished in one form, it seems always to crop out in another.
>
> In America the man of average income has, perhaps, turned to the stock-market exchange because of the prohibition of various forms of gambling. If the speculative tendencies of our people could be turned into other channels, this instinct might be satisfied without far-reaching economic consequences.

We have heard from the distinguished chairman of our committee that there has been some chiseling going on. I think by the provisions of this bill there will be chiseling. You are going to chisel the little fellow out of the stock market. Where is he going to turn? The President himself has warned you that he is going back to some other form of gambling. He will undoubtedly look about to spend a small sum or sums for a chance to improve his condition. Shall we allow him to enter upon the practice of the old gambling evils with all the vices to which all straight-thinking men are opposed? We can prevent this by furnishing a wholesome way for him to give vent to the inborn speculative urge.

There is, if we are to be guided by the President's report, a salutary piece of legislation now pending in the House of Representatives. It is the bill introduced by me providing for a national lottery. I cannot but perceive—and I hope most of you with me perceive—that a national lottery conducted by Government for public benefit is not gambling. [Applause.] Rather it would tend to control and eradicate gambling. It would at the same time provide sorely needed funds which hosts of citizens, many thousands of persons, would cheerfully and gladly contribute in small sums of gift money.

That it would be a means of controlling if not a cure for gambling, I would here quote a noted reformer on the subject:

> I see that Representative KENNEY, Democrat, from New Jersey, has introduced a bill to create a Government lottery in the United States to provide funds for the Treasury and for veterans' benefits. * * *
>
> As a moral principle, gambling of any kind is a waste. It has no basis as an economic measure. It is pitiful to find how plentiful the fish swarm about the thinly baited hook. * * *
>
> I repeat, I'm against it as a matter of policy; but a lottery, Government-directed, that would assure veterans having their pensions restored by the profits, is better than having gambling wide-spread with private persons reaping the harvest. At least the people who make the profits would get something from their investment and they'll never do it by any other means. It would be a sort of salvage from wrong.

I have another expression from a distinguished clergyman down in Richmond, Va., who a few days ago said:

The new morality does not frown on games of chance, but it asserts that only fools play for money in games that are rigged against them. * * *

Most reformers and clergymen seem to hate games of chance, matrimony being the only game of chance favored by most of the clergy. But some of them are coming to see that all life is a game of chance, and we develop skill at it only at life's long last.

It is a good thing that the instinct to take a chance is a part of human nature or we would never get anywhere at all.

A federally conducted and operated lottery would do more to control the gambling evil than the bill now before the House.

[Here the gavel fell.]

The Clerk read as follows:

REGULATION OF THE USE OF MANIPULATIVE DEVICES

SEC. 9. It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce or of the mails, or of any facility of any national securities exchange, to effect a short sale, or to use or employ any stop-loss order in connection with the purchase or sale, of any security registered on a national securities exchange, in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

Mr. WHITE. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. WHITE: Page 24, line 22, after the word "devices", insert a semicolon and the following: "sales of securities."

In line 23, before the word "it", insert "(a)".

On page 25, after line 7, insert the following new subsection:

"(b) It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce or of the mails or any facility of any national securities exchange to sell any security registered on a national security exchange or any security not so registered, without having made available to the purchaser thereof before the sale is effective a description of such security which shall include the serial or certificate number thereof or similar mark of identification, the name of the person and such other information identifying such security as the commission shall by rules and regulations prescribe as necessary or appropriate for the protection of investors."

Mr. WHITE. Mr. Chairman, I believe this is the most important feature that is before us in connection with this legislation, and I hope that the members of this committee will very carefully consider the proposition as embodied in this amendment.

It is one that has been under consideration and given a great deal of thought. I do not think any man should be allowed to sell something which does not exist. We do not permit anyone to offer under rules and regulations now in effect under the Securities Act a misrepresented security, but we are still allowing them to sell just thin air or nothing at all under short selling.

If the gentlemen of this committee will recall the attacks that have been made in the past on good legitimate enterprises by short selling and the destruction of credit, I think they will give this amendment due consideration. I hope the committee will not just vote this amendment down perfunctorily but will give earnest thought and consideration to the fact that we should stop short selling.

Mr. PETTENGILL. Will the gentleman yield?

Mr. WHITE. I yield to the gentleman from Indiana.

Mr. PETTENGILL. Do I understand that under the gentleman's amendment before a seller can sell a security he must tell the buyer the number of the security?

Mr. WHITE. He must positively identify the thing offered for sale by its description and number.

Mr. PETTENGILL. As a practical matter, let us assume the following circumstance: Here is a sale order which comes in from a broker in Indiana for execution in New York to sell 10 shares of steel. There is a buy order that originates somewhere in the United States—Colorado, Texas, California, Florida, or some other State. How, as a practical proposition, can the seller in Indiana, operating by telegraph to the New York Exchange, notify the possible purchaser of the stock as to the number of the certificate? He does not even know, or ever will know, who the buyer it.

Mr. WHITE. When he offers to sell 10 shares, it is mighty easy for him to identify those shares by certificate number. He will use the certificate number or serial. He has no more right to offer for sale 10 shares of a company than you have a right to offer for sale 10 lots on Pennsylvania Avenue down here without giving a description of the lots.

Mr. DONDERO and Mr. DARDEN rose.

Mr. DONDERO. Will the gentleman yield?

Mr. WHITE. I yield to the gentleman from Michigan.

Mr. DONDERO. What difference would it make as to what the number or the serial on the stock was? It is all the same.

Mr. WHITE. It would operate to prevent the short selling of something which does not exist. Let us confine our sales to things that exist rather than to the sale of things which do not exist. If the gentleman is conversant with what happened to Mr. Saunders in the Piggly Wiggly transaction and the ruin that was brought about to business concerns and individuals by the short selling of securities, he would know the damage and destruction that has been brought to the business of this country.

Mr. DONDERO. The furnishing of the number would not make any difference.

Mr. WHITE. Men who were engaged in worthy enterprises were ruined by short selling and the damaging of credit and market value of securities.

Mr. DONDERO. It would not make any difference whether it was A or Z, if it is the same kind of stock and in the same corporation.

Mr. WHITE. Let the seller identify it by certificate number, as provided in this amendment.

Mr. DARDEN. Would not that entail endless litigation?

Mr. WHITE. How would it? If you offered 10 lots on Pennsylvania Avenue, lots nos. 7, 8, 9, 10, 11, and so on, in block 7, that would not entail any great amount of work.

Mr. DARDEN. That is true, but it would be very difficult, with the large number of issues of legitimate securities now on sale on the stock exchange, to describe them minutely in a telegraphic order.

Mr. WHITE. Is it the gentleman's contention that we should not identify what is offered for sale?

Mr. DARDEN. Generally, that is true, and that is done under the rules in effect on the exchanges, but under this amendment you would not only stop short selling, you would stop all selling, because you would make it so cumbersome that people could not engage in the business.

[Here the gavel fell.]

Mr. WHITE. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Without objection, it is so ordered.

Mr. WHITE. We who have studied the financial situation and short selling in this country know that business has been ruined and various enterprises have been destroyed by piratical attacks of unscrupulous dealers. We know that something should be done to curb this practice. Anybody who is conversant with what happened to Stutz Motor Co. knows how young Ryan cornered Stutz stock on the exchange and caused them to change the rules in order to avoid responsibility. We know what happened to Saunders in Memphis, Tenn., when his business was ruined by short selling.

Let us carry out the intention with which this bill was drawn and make it effective by the adoption of this amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Idaho.

The question was taken, and the amendment was rejected.

Mr. SABATH. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SABATH: Page 25, line 1, after the word "sale", insert "or offer to sell short."

Mr. SABATH. Mr. Chairman, ladies, and gentlemen, I hope the committee will accept this amendment. The intent of the provision is to prevent short selling by giving the commission the right to regulate. All I desire to do is to make this clear.

The bill, as it is written, restricts or prevents short selling, subject to regulation by the commission, and I know it has been the practice to offer short sales for the purpose of hammering down prices. I think the words "or offer to sell short" should be included, and I think this will make the bill more effective.

Personally, of course, I voted for the amendment of the gentleman from Idaho, and I have favored such an amendment, because in the fall of 1929 I started a crusade against short selling. I have done everything humanly possible to have the stock exchanges stop short selling, if not for the country's sake, then for its own sake, but they refused to listen to reason. Naturally, if I could absolutely restrict or prevent short selling, I would be extremely happy; but I have enough confidence in the commission to believe they will restrict and preclude any of these pool operations and short selling that brought about the destruction of the market in 1929.

Mr. Chairman, being extremely anxious and desirous for early passage of this bill, and realizing what this committee has been subjected to, and feeling that they have done the very best they could in formulating this bill—though I had intended to offer several amendments in the hope of strengthening and clarifying some of the provisions, I shall refrain from doing so, as I do not wish to give the enemies of this legislation a chance or opportunity to delay its consideration and final passage.

It is not by any means a perfect bill. It does not go as far as I should like it to; but, as I have stated, I feel it is the best bill the committee was able to agree upon during the long weeks the committee has had it under consideration. Having studied these abuses ever since the fall of 1929—having drafted many resolutions to investigate the stock exchange and its many ramifications and the causes and those responsible for the criminal conditions, and then the inevitable crash that was bound to follow; having also drafted and introduced in 1930, 1931, 1932, and 1933 several bills to restrict these abuses—in the first place, short selling, the floor traders, the specialist, match sales, sales against the box, the pool operations, I fully realize the tremendous task of the gentleman from Texas, the chairman of this committee, and its members in reaching a final agreement on the bill before the House.

My last bill, which I introduced on February 10 and which I felt would receive favorable consideration, was the work of many weeks, and I thought that I actually had a bill that would eliminate all the vicious practices and protect the public, but I am obliged to concede that the committee's bill before us today is much more comprehensive than mine, though not as restrictive. Therefore, I can appreciate the task of this committee, composed of 25 members, most of whom must have fully utilized their knowledge and ability, which I know are greater than mine, in accomplishing this task.

Mr. Chairman, ladies, and gentlemen, it is easy to criticize and tear down, but it is much harder to construct and perfect, and I, therefore, congratulate the committee that they have had the assistance of two expert draftsmen—that is, Mr. Crawford and Mr. Cohen—as they were familiar with the workings of the stock manipulations and with the technical terms, and in that way were able materially to aid the committee in its tremendous task. For that reason I do not blame the chairman of the committee for resenting the insinuations of my colleague [Mr. BRITTEN] in his aim to popularize the "red house", in view that the Dr. Wirt bubble had been so completely exploded. My colleague, though admitting that he does not know anything about a "red house", if there is one, I feel would have been more at home and in sympathy with a "green house" and its environments.

Personally, I feel that the committee has performed a great service to the country and are entitled to thanks, and I hope their wonderful services which they have rendered to the country will be appreciated and recognized. I admit that this legislation is not legislation that the stock exchanges desire. They hoped that they would be able to continue in the future as they have in the past—mulcting the American people without any restriction or limitations.

If these two gentlemen who have been designated as "young men", or "boys", had given their services to the stock exchanges, I presume they would be acclaimed as great financial experts and gentlemen of the highest attainments; but in view of the fact that they are giving their knowledge, experience, and ability to the committee and the Government, they must perforce be subjected to continuous attacks and abuse, the same as many other men who prefer to serve the country in preference to those who have in the past, and again contemplate wrecking the country in the future. I feel that the vast majority of the people of this country will appreciate the great service these gentlemen are rendering to the Nation.

In conclusion, let me say that I am indeed gratified, notwithstanding that nearly $2,000,000 has been expended in propaganda by the stock exchange and notwithstanding that thousands of misleading statements have been printed, and despite the attacks that have been made against this legislation, that a great majority of the Members of this body have remained steadfast and loyal to their country as against the tremendous power and influences that the stock exchanges have endeavored to exert upon them. Realizing that all their activities have not prevented the consideration of this legislation, they have again resorted to their tactics of hammering prices and instilling fear in the American business man. Therefore, I feel that once more I want to assure the American business men, who have permitted themselves to be used by this stock-exchange lobby and influence not to fear but to look forward with confidence that this legislation will be beneficial to legitimate business. For it will be impossible in the future for these stock-exchange manipulators to utilize billions upon billions of the people's money for gambling and speculation, and thereby deprive legitimate business of the financial aid and credit which these gambling overlords have in the past deprived them of in the hour of greatest need. The Wall Street bankers, and especially the investment bankers and these very stock-exchange manipulators, conducted the same vicious lobby and attack when the Federal Reserve legislation was being considered. I regret that they weakened that act; and if the bill had passed in its original form, as recommended by President Wilson, I am satisfied that the criminal orgy of 1928 and 1929 would not have been made possible, and therefore would have precluded the crash of 1929.

Under the leave given me I herewith insert as part of my remarks H.R. 7924, the last bill that I introduced on this subject:

A bill to provide for the registration and regulation of stock exchanges, to prohibit unfair transactions and practices, and for other purposes

Be it enacted, etc., That this act may be cited as the "Stock Exchange and Securities Act of 1934."

SEC. 2. (a) On and after 60 days after the date of enactment of this act it shall be unlawful to transmit or cause to be transmitted through the mails or in interstate commerce by any means or instruments of transportation or communication (1) any quotation of prices, or any other advice, report, or information concerning transactions on any stock exchange in any security listed, quoted, or dealt in on such exchange; (2) any offer to buy or sell any such security on such stock exchange; (3) any contract, agreement, or memorandum of purchase or sale of any such security arising out of any transaction on such stock exchange; and (4) any security sold or to be sold on such stock exchange, unless such stock exchange shall have first obtained a license from the Commission as hereinafter provided and such license is in effect at the time of such transmission.

(b) Applications by stock exchanges for licenses under this act shall be made to the Commission in such manner and under such terms and conditions as the Commission shall prescribe. No such license shall be granted unless at the time of the application therefor the applicant stock exchange agrees that upon the granting of the license it will comply with all the provisions of this act and of the rules and regulations made by the Commission pursuant thereto. The Commission may by order suspend or revoke any such license for noncompliance with any such provision or with any term or condition of the license, but no such order shall be made except after the licensee has been given due notice and a reasonable opportunity to be heard. Any order of the Commission suspending or revoking any such license may be reviewed as hereinafter provided by the Court of Appeals of the District of Columbia, or the circuit court of appeals for the

judicial circuit in which the licensee has its principal place of business, if a petition for such review is filed within 3 months after the date such order was issued. The judgment of any such court shall be final, except that it shall be subject to review by the Supreme Court of the United States upon certiorari, in the manner provided in section 240 of the Judicial Code, as amended. The review by such courts shall be limited to questions of law, and the findings of fact by the Commission, if supported by substantial evidence, shall be conclusive. Upon such review, such courts shall have power to affirm or, if the order of the Commission is not in accordance with law, to modify or to reverse the order of the Commission, with or without remanding the case for a rehearing, as justice may require.

(c) Each license issued to a stock exchange under this act shall contain the following terms and conditions:

(1) That the exchange will adopt, with the approval of the Commission, rules with respect to transactions on the exchange designed to comply with and enforce the regulatory requirements prescribed pursuant to this act;

(2) That the exchange will make such reports and such changes in its rules with respect to transactions on the exchange as the Commission may from time to time require;

(3) That the Commission may modify or alter the terms and conditions of the license at any time if in the opinion of the Commission such modification or alteration is necessary in the public interest;

(4) That the exchange shall take such disciplinary measures as may be necessary to properly enforce the requirements imposed upon it by its license and the rules and regulations of the Commission made pursuant to this act; and

(5) That the Commission, in conjunction with the Federal Reserve bank of the Federal Reserve district in which the stock exchange is located, shall have authority to prescribe margin requirements to be observed by the members of the exchange in their dealings in securities on such exchange: *Provided, however,* That short sales, pool operations, wash sales and matched orders, sales against the box, and buying or selling by specialists or by floor traders for their own account are prohibited.

(d) In the event that any stock exchange violates any of the terms and conditions of its license or of any provisions of this act or of any rules and regulations of the Commission pursuant thereto, and, in the opinion of the Commission, the immediate suspension or revocation of such license will not be in the public interest, the Commission shall have authority in its discretion to require licenses of the members of such exchange as a condition of the continued operation of the exchange, and/or to require the exchange to appoint new officers and new members of its governing boards and committees, and/or to subject the exchange to a penalty of $5,000 a day for each day that such violation continues, such penalty to be collected by the Commission by suit or otherwise.

SPECIAL POWERS OF COMMISSION

SEC. 3. (a) The Commission shall have authority from time to time to make, amend, and rescind such rules and regulations as may be necessary to carry out the provisions of this act, including rules and regulations defining accounting and trade terms used in this act and with respect to pool operations, wash sales and matched orders, margin trading, specialists, short selling, corporate accounting and practices, publicity of transactions and customers' men, segregation of brokerage and other forms of business, reports, and examinations of members of the various exchanges, and unorganized or over-the-counter markets. Among other things, the Commission shall have authority, for the purposes of this act, to prescribe the form or forms in which required information shall be set forth, and the items or details to be used in required statements. The rules and regulations of the Commission shall be effective upon publication in the manner in which the Commission shall prescribe.

(b) The Commission is further authorized to establish such standards with respect to stock-exchange practices, and to gather and compile such information and make such investigations concerning the transactions on the various stock exchanges, stock-market operations and practices, and related matters, as in its judgment are necessary and proper in carrying out the functions vested in it by this act.

(c) For the purpose of all investigations which, in the opinion of the Commission, are necessary and proper for the enforcement of this act, any member of the Commission or any officer or officers designated by it are empowered to administer oaths and affirmations, subpena witnesses, take evidence, and require the production of any books, papers, or other documents which the Commission deems relevant or material to the inquiry. Such attendance of witnesses and the production of such documentary evidence may be required from any place in the United States or any Territory at any designated place of hearing.

(d) The information contained in or filed with any statement required by this act shall be made available to the public under such regulations as the Commission may prescribe, and copies thereof, photostatic or otherwise, shall be furnished to every applicant at such reasonable charge as the Commission may prescribe.

(e) The Commission is further authorized to employ, to fix the compensation of, such officers and employees, and to make such expenditures (including expenditures for rent and personal services in the District of Columbia and elsewhere and for law books, books of reference, and periodicals and for printing and binding), as may be necessary to carry out the provisions of this act.

(f) The Commission is further authorized to prescribe fees for licenses required under this act.

(g) The Commission may, to such extent as it deems advisable, exempt from the operation of this act transactions in any security issued or guaranteed by the United States or any Territory thereof, or by the District of Columbia, or by any State of the United States, or by any political subdivision of a State or Territory, or by any public instrumentality of one or more States or Territories exercising an essential governmental function, or by any corporation created and controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States, or by any national bank; or any security issued by or representing an interest in or a direct obligation of a Federal Reserve bank.

SEC. 4. The Federal Reserve Board and the Federal Reserve bank of the district in which any stock exchange is located shall have authority to suspend for such period as they may determine the borrowing and rediscount privileges of any member bank which makes loans to a member of such exchange who fails to comply with the margin requirements prescribed by the Commission.

INJUNCTIONS AND PROSECUTION OF OFFENSES

SEC. 5. (a) Whenever it shall appear to the Commission, either upon complaint or otherwise, that the provisions of this act, or of any rule or regulation prescribed under authority thereof, have been or are about to be violated by any person, it may, in its discretion, either require or permit such person to file with it a statement in writing, under oath, or otherwise, as to all the facts and circumstances concerning the subject matter which it believes to be in the public interest to investigate, and may investigate such facts.

(b) Whenever it shall appear to the Commission that any person is engaged or about to engage in any acts or practices which constitute or will constitute a violation of the provisions of this act, or of any rule or regulation prescribed under authority thereof, it may, in its discretion, bring an action in any district court of the United States, United States court of any Territory, or the Supreme Court of the District of Columbia to enjoin such acts or practices, and upon a proper showing a permanent or temporary injunction or restraining order shall be granted without bond. The Commission may transmit such evidence as may be available concerning such acts or practices to the Attorney General who may, in his discretion, institute the necessary criminal proceedings under this act.

(c) Upon application of the Commission the district courts of the United States, the United States courts of any Territory, and the Supreme Court of the District of Columbia, shall also have jurisdiction to issue writs of mandamus commanding any person to comply with the provisions of this act or any order of the Commission made pursuant thereto.

JURISDICTION OF OFFENSES AND SUITS

SEC. 6. (a) The district courts of the United States, the United States courts of any Territory, and the Supreme Court of the District of Columbia shall have jurisdiction of offenses and violations under this title and under the rules and regulations promulgated by the Commission in respect thereto, and, concurrent with State and Territorial courts, of all suits in equity and actions at law brought to enforce any liability or duty created by this act. Any such suit or action may be brought in the district wherein the defendant is found or is an inhabitant or transacts business, or in the district where the sale took place, if the defendant participated therein, and process in such cases may be served in any other district of which the defendant is an inhabitant or wherever the defendant may be found. Judgments and decrees so rendered shall be subject to review as provided in sections 128 and 240 of the Judicial Code, as amended (U.S.C., title 28, secs. 225 and 347). No case arising under this act and brought in any State court of competent jurisdiction shall be removed to any court of the United States. No costs shall be assessed for or against the Commission in any proceeding under this act brought by or against it in the Supreme Court or such other courts.

(b) In case of contumacy or refusal to obey a subpena issued to any person, any of the said United States courts, within the jurisdiction of which said person guilty of contumacy or refusal to obey is found or resides, upon application by the Commission may issue to such person an order requiring such person to appear before the Commission, or one of its examiners designated by it, there to produce documentary evidence if so ordered, or there to give evidence touching the matter in question; and any failure to obey such order of the court may be punished by said court as a contempt thereof.

(c) No person shall be excused from attending and testifying or from producing books, papers, contracts, agreements, and other documents before the Commission, or in obedience to the subpena of the Commission or any member thereof or any officer designated by it, or in any cause or proceeding instituted by the Commission, on the ground that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; but no individual shall be prosecuted or subjected to any penalty or forfeiture for, or on account of, any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, documentary or otherwise, except that such individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.

EFFECT ON EXISTING LAW

SEC. 7. (a) The rights and remedies provided by this act shall be in addition to any and all other rights and remedies that may exist at law or in equity, except that this act shall supersede such laws of any State as are inconsistent with the provisions or purposes of this act and such laws of any State as provide for the supervision or regulation of the administration or conduct of business on any exchange which is licensed by the Commission.

(b) Nothing in this act shall be construed to modify existing law with regard to the binding effect on any member of any exchange of any action taken by the authorities of such exchange to settle disputes between members or with regard to the binding effect of such action on any person who has agreed to be bound thereby or with regard to the binding effect on any member of any disciplinary action taken by the authorities of the exchange as a result of violation of any rule of the exchange, insofar as the action taken is not inconsistent with the provisions of this act, or the rules and regulations of the Commission thereunder.

VALIDITY OF CONTRACTS

SEC. 8. (a) Any condition, stipulation, or provision binding any person to waive compliance with any provision of this act or of any regulation promulgated pursuant thereto, or of any rule required by such regulation shall be void.

(b) Every contract made in violation of, or the performance of which involves the violation of, any provision of this act or of any rule or regulation thereunder shall be void as regards any cause of action arising after the effective date of such provision, regardless of whether the contract was made before or after such effective date.

FOREIGN EXCHANGES

SEC. 9. It shall be unlawful for any broker or dealer, directly or indirectly, to make use of the mails or of any means or instrumentality of transportation or communication in interstate commerce for the purpose of effecting on an exchange situated in a place not subject to the jurisdiction of the United States any transaction in any security the issuer of which is a resident of, or is organized under the laws of, or has its principal place of business in, a place subject to the jurisdiction of the United States except in accordance with such rules and regulations as the Commission may prescribe.

DEFINITIONS

SEC. 10. When used in this act, unless the context otherwise requires—

(1) The term "Commission" means the Federal Trade Commission.

(2) The term "security" means any note, stock, Treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of interest in property, tangible or intangible, or, in general, any instrument commonly known as a security, or any certificate of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the foregoing.

(3) The term "person" means an individual, a corporation, a partnership, an association, a joint-stock company, a trust, any unincorporated organization, or a government or political subdivision thereof. As used in this paragraph the term "trust" shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidenced by a security.

(4) The term "interstate commerce" means trade or commerce in securities or any transportation or communication relating thereto among the several States or between the District of Columbia or any Territory of the United States and any State or other Territory, or between any foreign country and any State, Territory, or the District of Columbia, or within the District of Columbia.

(5) The term "Territory" means Alaska, Hawaii, Puerto Rico, the Philippine Islands, the Canal Zone, the Virgin Islands, and the insular possessions of the United States.

(6) The term "stock exchange" means a market or meeting place controlled by rules, on which only members are permitted to deal with one another on their own behalf or for their customers, and at which securities of corporations or joint-stock companies are bought and sold or offered for purchase and sale.

(7) The term "short sale" means any sale wherein the seller does not possess direct ownership of the shares sold.

(8) The term "matched order" or "wash sale" means (1) a sale or offer for sale, or the pretended sale or offer for sale, directly or indirectly, of any securities accompanied by or in conjunction with the purchase or offer to purchase, or the pretended purchase or offer to purchase, directly or indirectly, of the same securities, and (2) the pretended sale or purchase, or the attempt to sell or purchase, any securities with the purpose or intent of recording or procuring the recording of a price or quotation therefor.

(9) The term "specialist" means any person who specializes in the execution of orders in respect of any security or securities on an exchange and who commonly receives from other members of the exchange orders for execution in respect of such security or securities.

(10) The term "pool" means a number of persons uniting or joining their interests for the purpose of buying or selling and thus increasing or depressing the price of one or more securities.

(11) The term "sales against the box" means the technical disposition of securities owned but not actually presented with the payment of transfer tax, including the borrowing of a similar security from the box for the purpose of making delivery.

(12) The term "floor trader" means a member of the stock-exchange house who is permitted to execute the orders on the floor of the exchange.

PENALTIES

SEC. 11. Any person who willfully violates any of the provisions of this act, or the rules and regulations promulgated by the Commission under authority thereof, shall upon conviction be fined not more than $5,000 or imprisoned not more than 5 years, or both.

SEPARABILITY OF PROVISIONS

SEC. 12. If any provision of this act, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of this act, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

SEC. 13. That paragraph (e) of section 3 of this act shall become effective upon the date of the enactment of this act: *Provided*, That the first part of paragraph (1) of section 3 (a) of the Securities Act of 1933, reading as follows:

"(1) Any security which, prior to or within 60 days after the enactment of this title, has been sold or disposed of by the issuer or bona fide offered to the public."

is hereby repealed.

Before closing I desire to express the fervent hope that in the future the Federal Reserve will not permit itself to be used by the selfish, avaricious, and greedy stock-exchange manipulators, nor that it will be permitted to raise the call interest rate to 18 percent and 20 percent in tempting and inducing the small banks to send all of their available cash to Wall Street for gambling and thus deprive legitimate business of the credit to which it is entitled, nor to give corporations the right to use their surpluses for those purposes, as has been testified to before the Senate committee.

A few days ago Mr. Pecora gave out a statement showing the amount of profits accruing to the members of the New York Stock Exchange, but, unfortunately, he did not have the complete report. I had figures compiled in 1930 showing that the commissions and interest payments alone received on the part of the stock exchanges and their brokers were over $2,000,000,000 for the single year 1929. No wonder that the membership of the New York gambling place sold as high as $650,000. Is there any wonder, then, why Mr. Whitney and his colleagues are using every ingenuity and the great power they possess to stop this legislation?

First and above all, the credit for this great measure must go to Franklin Delano Roosevelt. For we must not lose sight of the fact that it has been due to his courageous and fearless resistance to the greatest propaganda that has ever been launched in this country against an honest proposal to regulate the evils of stock-exchange gambling, that this bill is to be enacted into law.

And in conclusion, once more I want to congratulate the committee, and every member thereof, who has loyally stood by our great President in cooperating in the formulation of this bill, and who has aided in its passage. I fervently hope that this legislation will make impossible the crimes of 1893, 1907, and the greatest crime of all, that of 1929.

Mr. BLACK. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, it seems to me that the only ones who had a real valuable, worth-while opinion as to the condition of this country were the shorts in the market. It seems to me that if we had paid more attention to the bears in the market and less to the bulls in the market, we would have been better off.

This bill presents to my mind a strange conflict of thought. You start out with a bill that is designed to curb extravagance of statement in the selling of stock, and you expect to do it by Government regulation, you expect to do it by Government commission.

We have had plenty of laws in all the States, we have a Federal law condemning extravagance of statement, condemning misstatements and providing penalties. In spite of all the laws, these extravagant statements have gone on. There has not been any real enforcement of the laws.

If the Government and the States enforced their laws as well as the stock exchange enforces its drastic regulations, there would not be this hue and cry.

You start off to curb extravagant statements, and then you provide against short selling of stock, which is on the other side of extravagant statement. It is a contradiction to the bulls. In other words, you try to curb extravagant statement, and at the same time you curb the natural regulatory process that has been carried on by the short side of the market.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois.

The question was taken, and the amendment was rejected.

The Clerk read as follows:

SEGREGATION AND LIMITATION OF FUNCTIONS OF MEMBERS, BROKERS, AND DEALERS

SEC. 10. (a) The Commission shall prescribe such rules and regulations as it deems necessary or appropriate in the public interest or for the protection of investors (1) to regulate or prevent floor trading by members of national-securities exchanges, directly or indirectly, for their own account or for discretionary accounts, and (2) to prevent such excessive trading on the exchange, but off the floor, by members, directly or indirectly, for their own account, as the Commission may deem detrimental to the maintenance of a fair and orderly market. It shall be unlawful for a member to effect any transaction in a security in contravention of such rules and regulations, but such rules and regulations may make such exemptions for arbitrage transactions, for transactions in exempted securities, and, within the limitations of subsection (b) of this section, for transactions by odd-lot dealers and specialists, as the Commission may deem necessary or appropriate in the public interest or for the protection of investors.

(b) In accordance with such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors, the rules of a national-securities exchange may permit (1) a member to be registered as an odd-lot dealer and as such to buy and sell for his own account so far as may be reasonably necessary to carry on such odd-lot transactions, and/or (2) a member to be registered as a specialist. If under the rules and regulations of the Commission a specialist is permitted to act as a dealer, or is limited to acting as a dealer, such rules and regulations shall restrict his dealings so far as practicable to those reasonably necessary to permit him to maintain a fair and orderly market, and to those necessary to permit him to act as an odd-lot dealer if the rules of the exchange permit him to act as an odd-lot dealer. It shall be unlawful for a specialist to disclose to any person other than an official of the exchange, a representative of the Commission, or a specialist who may be acting for him, information in regard to orders placed with him which is not available to all members of the exchange, but nothing herein shall be construed to prevent the rules of an exchange requiring the disclosure to all members of all orders placed with a specialist. It shall also be unlawful for a specialist acting as a broker to effect on the exchange any transaction except upon a market or limited price order.

(c) If, because of the limited volume of transactions effected on an exchange, it is in the opinion of the Commission impracticable and not necessary or appropriate in the public interest or for the protection of investors to apply any of the foregoing provisions of this section or the rules and regulations thereunder, the Commission shall have power, upon application of the exchange and on a showing that the rules of such exchange are otherwise adequate for the protection of investors, to exempt such exchange and its members from any such provision or rules and regulations. Such exemption may be by order withdrawn by the Commission, after appropriate notice and opportunity for hearing, whenever the Commission finds that the conditions which gave rise to the exemption no longer exist.

(d) It shall be unlawful for a member of a national-securities exchange who is both a dealer and a broker, or for any person who both as a broker and a dealer transacts a business in securities through the medium of a member or otherwise, to effect through the use of any facility of a national-securities exchange or of the mails or of any means or instrumentality of interstate commerce, or otherwise in the case of a member, (1) any transaction in connection with which, directly or indirectly, he extends or maintains or arranges for the extension or maintenance of credit to or for a customer on any security (other than an exempted security) which was a part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within 6 months prior to such transaction: *Provided*, That credit shall not be deemed extended by reason of a bona fide delayed delivery of any such security against full payment of the entire purchase price thereof upon such delivery within 35 days after such purchase, or (2) any transaction with respect to any security (other than an exempted security) unless, if the transaction is with a customer, he discloses to such customer in writing at or before the completion of the transaction whether he is acting as a dealer for his own account, as a broker for such customer, or as a broker for some other person.

(e) The Commission is directed to make a study of the feasibility and advisability of the complete divorcement of the functions of dealer and broker, and to report the results of its study and its recommendations to the Congress on or before January 3, 1936.

Mr. PETTENGILL. Mr. Chairman, I offer the following committee amendment.

The Clerk read as follows:

Page 26, strike out beginning with "It", in line 18, down through the period in line 1, on page 27, and insert in lieu thereof the following: "It shall be unlawful for a specialist to disclose to any person other than a representative of the Commission or a specialist who may be acting for him, information in regard to orders placed with him which is not available to all members of the exchange; but the Commission shall have power to require disclosure to all members of the exchange of all orders placed with specialists, under such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors."

Mr. PETTENGILL. Mr. Chairman, if our distinguished colleague, Mr. MARLAND, of Oklahoma, were in the city today, he would have offered this amendment. I am speaking in part in his behalf. I want to take a moment to say that our distinguished colleague, Mr. MARLAND, has rendered splendid service on the committee. No member of the committee had the large background of experience in the matters covered by this bill possessed by Mr. MARLAND. His voice was always on the side of honest dealing. In the short time he has been in Congress he has made a reputation with his colleagues which any Member with many years of service here would be proud to possess. We all regret that he is leaving Congress to run for the great office of Governor of Oklahoma. If I had anything to say to the citizens of Oklahoma, I would recommend that they elect him to that great office. [Applause.]

This matter is one of the most technical questions or problems presented in this bill. Under the language moved to be stricken out, it will be noticed that it is unlawful for a specialist to disclose information. In other words, that raises the problem of the closed book of the specialist, and upon further consideration by the committee we felt that we did not wish to give congressional sanction to the closed book of the specialist, which many people feel has been one of the greatest abuses on the exchange. Some members of the committee, including myself, would have written into this law that the books of the specialists shall always be open at all times to all members, but we realized that it is a matter that requires a great deal of study.

The Dickinson-Roper report recommended that the matter be deferred for further consideration by the Commission, and the Twentieth Century Fund was not able to make a definite recommendation in respect to the matter; so, by striking out the language which appears to give congressional sanction to the closed book, we are now giving the Commission the power to order the books either open or closed under such regulations as they may deem appropriate in the public interest and for the protection of the investor, rather than making a rigid, statutory limitation in favor of either the closed book or the open book.

Mr. SABATH. Mr. Chairman, will the gentleman yield?

Mr. PETTENGILL. Yes.

Mr. SABATH. I fully appreciate what the gentleman has stated as to the abuses on the part of the specialists, and I am indeed grateful for the amendment the gentleman has offered, but even with that amendment is there not a danger that a few men on the inside, the officers of the exchange, may secure from the specialist in advance any and all information they desire, precisely as they have heretofore?

Will they not still be able to obtain information that will apprise them in advance of all the other members of the exchange knowledge of the accumulated overnight orders to buy or sell various stocks, the amount and the prices at which the sellers will sell, and the prices at which buyers are willing to buy? With such information the insiders would continue to possess in advance, as they do now, knowledge that probably no one else would have. Armed with this confidential information, they would be able easily to decide what course to pursue as between buying or selling. Or, in other words, as I have stated on the floor before, they would have the opportunity of looking into all the other players' hands, and then of making their bets at this gam-

bling table in safety not only to the disadvantage of outside investors but even to the advantage of their fellow members of the gambling fraternity as well. It is practically the same as if they were playing with marked cards.

Mr. PETTENGILL. Mr. Chairman, I offer no defense of the closed book personally, and I agree with the gentleman that until and unless the Commission shall order the books closed, the abuse the gentleman refers to might happen, that the specialist or his friends might have the advantage of the secret information that is on his books; but as I said a moment ago, neither the Dickinson-Roper report nor the Twentieth Century Fund nor this committee, during the past 10 weeks, feel that we have arrived at sufficiently definite conclusions in respect to the matter, and we prefer to leave it for the future regulation of the Commission.

The CHAIRMAN. The question is on agreeing to the committee amendment.

The committee amendment was agreed to.

The Clerk read as follows:

REGISTRATION REQUIREMENTS FOR SECURITIES

SEC. 11. (a) It shall be unlawful for any person to effect any transaction in any security (other than an exempted security) on a national securities exchange unless a registration is effective as to such security for such exchange in accordance with the provisions of this act and the rules and regulations thereunder.

(b) A security may be registered on a national securities exchange by the issuer filing an application with the exchange (and filing with the Commission such duplicate originals thereof as the Commission may require), which application shall contain—

(1) Such of the following information, in such detail, as to the issuer and any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the issuer, and any guarantor of the security as to principal or interest, or both, as the Commission may by rules and regulations require, as necessary or appropriate in the public interest or for the protection of investors:

(A) the organization, financial structure, and nature of the business;

(B) the terms, position, rights, and privileges of the different classes of securities outstanding;

(C) the terms on which their securities are to be, and during the preceding 3 years have been, offered to the public or otherwise;

(D) the directors and officers, their remuneration (including amounts paid, or which may become payable, as a bonus or under a profit-sharing arrangement), and their interests in the securities of, and their material contracts with, the issuer and any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the issuer;

(E) remuneration (including amounts paid, or which may become payable, as a bonus or under a profit-sharing arrangement) in excess of $10,000 per annum, to any person other than directors and officers;

(F) management and service contracts of material importance to investors;

(G) options existing or to be created with respect to their securities;

(H) balance sheets for the 3 preceding years, certified by independent public accountants or otherwise, as the Commission may prescribe; and

(I) profit-and-loss statements for the 3 preceding years, certified by independent public accountants or otherwise, as the Commission may prescribe.

(2) Such copies of articles of incorporation, bylaws, trust indentures, or corresponding documents by whatever name known, underwriting arrangements, and other similar documents of, and voting trust agreements with respect to, the issuer and any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the issuer as the Commission by rules and regulations may require as necessary or appropriate for the proper protection of investors and to insure fair dealing in the security.

(c) If in the judgment of the Commission any information required under subsection (b) is inapplicable to any specified class or classes of issuers, the Commission shall require in lieu thereof the submission of such other information of comparable character as it may deem applicable to such class of issuers.

(d) If the exchange authorities certify to the Commission that the security has been approved by the exchange for listing and registration, the registration shall become effective 30 days after the receipt of such certification by the Commission or within such shorter period of time as the Commission may determine. A security registered with a national-securities exchange may be withdrawn or stricken from listing and registration in accordance with the rules of the exchange and, upon such terms as the Commission may deem necessary to impose for the protection of investors, upon application by the issuer or the exchange to the Commission; whereupon the issuer shall be relieved from further compliance with the provisions of this section and section 12 of this act and any rules or regulations thereunder as to the securities so withdrawn or stricken. An unissued security may be registered only in accordance with such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors. Such rules and regulations shall limit the registration of an unissued security to cases where such security is a right or the subject of a right to subscribe or otherwise acquire such security granted to holders of a previously registered security and where the primary purpose of such registration is to distribute such unissued security to such holders.

(e) Notwithstanding the foregoing provisions of this section, the Commission may, by such rules and regulations as it deems necessary or appropriate in the public interest or for the protection of investors, permit securities listed on any exchange at the time the registration of such exchange as a national-securities exchange becomes effective, to be registered for a period ending not later than July 1, 1935, without complying with the provisions of this section.

(f) The Commission is directed to make a study of trading in unlisted securities upon exchanges and to report the results of its study and its recommendations to Congress on or before January 3, 1935. Notwithstanding the foregoing provisions of this section, the Commission shall, by such rules and regulations as it deems necessary or appropriate for the protection of investors, prescribe terms and conditions under which, upon the request of any national-securities exchange, such exchange may continue until July 1, 1935, unlisted trading privileges to which a security had been admitted on such exchange prior to March 1, 1934, and for such purpose exempt such security and the issuer thereof from the provisions of this section and sections 12 and 15. A security for which unlisted trading privileges are so continued shall be considered a security registered on such exchange within the meaning of this act. The rules and regulations of the Commission relating to such unlisted trading privileges for securities shall require that quotations of transactions upon any national-securities exchange shall clearly indicate the difference between fully listed securities and securities admitted to unlisted trading privileges only.

Mr. LEA of California. Mr. Chairman, I offer the following amendment which I send to the desk and ask to have read.

The Clerk read as follows:

Committee amendment offered by Mr. LEA of California: Page 32, line 25, strike out the word "shall" and insert in lieu thereof the word "may".

Page 33, line 4, after the word "Exchange", insert "(1)".

Page 33, at the end of line 8, strike out the period and insert a comma and add the following:

"(2) May extend until July 1, 1935, unlisted trading privilege to any security registered on any other national-securities exchange which security was listed on such other exchange on March 1, 1934."

Mr. LEA of California. Mr. Chairman, under the bill as drawn, securities having unlisted trading privileges are to have that privilege until July 1, 1935. The proposed amendment would permit any security which is registered on any national exchange to continue its unlisted trading privilege until the same date. The difference proposed by this amendment is that it permits a stock which is registered on an exchange prior to March 1, 1934, to have the unlisted trading privilege on another exchange until 1935, it being anticipated that prior to that time the Commission will probably report to Congress with a recommendation as to what policy should be established as a permanent one as to unlisted trading privileges for the future.

The CHAIRMAN. The question is on agreeing to the committee amendment.

The committee amendment was agreed to.

The Clerk read as follows:

PERIODICAL AND OTHER REPORTS

SEC. 12. (a) Every issuer of a security registered on a national-securities exchange shall file the information, documents, and reports below specified with the exchange (and shall file with the Commission such duplicate originals thereof as the Commission may require), in accordance with such rules and regulations as the Commission may prescribe as necessary or appropriate for the proper protection of investors and to insure fair dealing in the security—

(1) Such information and documents as the Commission may require to keep reasonably current the information and documents filed pursuant to section 11.

(2) Such annual reports, certified if required by the rules and regulations of the Commission by independent public accountants, and such quarterly reports as the Commission may prescribe.

(b) The Commission may prescribe, in regard to reports made pursuant to this act, in accordance with accepted principles of accounting, the form or forms in which the required information shall be set forth, and the items or details to be shown in the balance sheets and profit-and-loss statements; but in the case of the reports of any person whose accounting is subject to the provisions of any law of the United States or any State, or any rule or regulation thereunder, the rules and regulations of the Commission with respect to reports shall not be inconsistent with the

requirements imposed by such law or rule or regulation, except that this provision shall not be construed to prevent the Commission from imposing such additional requirements with respect to such reports, within the scope of this section and section 11, as it may deem necessary for the protection of investors.

(c) If in the judgment of the Commission any report required under subsection (a) is inapplicable to any specified class or classes of issuers, the Commission shall require in lieu thereof the submission of such reports of comparable character as it may deem applicable to such class or classes of issuers.

Mr. COLE. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Committee amendment offered by Mr. COLE: On page 34, in line 23, strike out the period, insert a colon and the following: "*Provided*, That no additional requirements shall be imposed upon the carriers subject to the provisions of section 20a of the Interstate Commerce Act, as amended.

Mr. COLE. Mr. Chairman, I think the purpose of the amendment is obvious, and I have nothing to say about it, except that we do not want to impose on the carriers any additional requirements to those they already have.

The CHAIRMAN. The question is on agreeing to the committee amendment.

The committee amendment was agreed to.

Mr. COOPER of Ohio. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. COOPER of Ohio: On page 34, in line 22, strike out the words "and section 11."

Mr. COOPER of Ohio. Mr. Chairman, running all through this bill we set up certain rules and regulations which are required in the filing of reports, and then at the end of those paragraphs we include the words "except that this provision shall not be construed to prevent the Commission from imposing such additional requirements with respect to reports, and so forth."

The language at the end of paragraph (b) not only covers section 12, which we are now considering, but it also goes back to section 11 and gives the Commission power to set up rules and regulations at any time, outside of what is contained in this particular section 12. It seems to me it gives to the Commission tremendous power at any time that they see fit to set up a rule or regulation requiring this or that to be done. I believe, Mr. Chairman, that that provision in paragraph (b) in section 12 should be confined to that particular section. For that reason I offer the amendment.

Mr. RAYBURN. Mr. Chairman, this was very thoroughly discussed in the committee. We made this exemption of States. In other words, section (b) provides that the Commission may prescribe in regard to reports made pursuant to this act. That is the whole act; but in order to limit it down here we simply make it apply to 11 and 12. I do not think the gentleman should want to allow these people to get out from under all the provisions of section 11.

Mr. COOPER of Ohio. I have no objection to it being there as to section 12, but I doubt whether it should go back to section 11 or not. I think section 11 is very specific in requiring what shall be done and what shall be filed in the report.

Mr. RAYBURN. This relates not so much to what is required as to what is not. We have exempted the Government and States. In other words, we have fixed it so that if a State does not have proper accounting, and some five or six States have none, we want to give the Commission some authority to require something, and make it specific that they will not require more than is already required in section 11. We put it in here that it shall apply to this section. I think the gentleman's amendment might do the very thing he does not want done.

Mr. COOPER of Ohio. It was not in the bill originally, before we put in the words "or any State."

Mr. RAYBURN. That is right.

Mr. COOPER of Ohio. I am willing to accept this amendment as far as it applies to section 12, but we did not have any such provision affecting section 11 before that amendment "of any State" was offered to section 12.

Mr. RAYBURN. That is right.

Mr. COOPER of Ohio. Now, we accepted that in good faith. I was glad to see the committee adopt that amendment, as the gentleman knows; but at the time I do not think it had any reference at all to section 11.

Mr. RAYBURN. I will say that that was discussed.

Mr. COOPER of Ohio. I do not believe that section 11 has any reference to that particular amendment at all.

Mr. RAYBURN. I think it would be a mistake to have the gentleman's amendment adopted.

Mr. COOPER of Ohio. I wish to assure the chairman of the committee that I am not suggesting this amendment in any attempt whatsoever to destroy the effect of this section. This is not a chiseling amendment. I am offering it in good faith. In other words, I thought these words at the end of the section were put in there to take care of the amendment which we inserted on line 15, "or any State."

Mr. RAYBURN. That is exactly right.

Mr. COOPER of Ohio. And it did not apply to section 11.

Mr. RAYBURN. But it does apply to the reports. One of the States of the Union, which issues more corporation charters than any other State in the Union, does not have any regulation at all.

Mr. COOPER of Ohio. Mr. Chairman, I have nothing further to say on that, but I should like to see the amendment adopted.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio [Mr. COOPER].

The amendment was rejected.

Mr. SIROVICH. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SIROVICH: On page 35, after line 4, insert a new paragraph, to read as follows:

"5. (d) Every issuer of a security registered with and on a national-securities exchange shall file with such exchange on the first quarter year day of each year the book, or accountancy value, of the security so issued and registered, interpreted in terms that shall be applicable to and understood to apply to the entire issue of such securities, expressed in terms of a single share, and no quotation of exchange price of such security shall be printed in the public press unless, underneath the price quotation of the day, there shall also appear the current book, or accountancy value of the security quoted, expressed in terms of a single share, so the investor may see at the same time the stock-exchange price quotation and the book, or accountancy value, of the security. Any false or intentionally misleading information given out in any manner or published in any form concerning the book, or accountancy value of any security shall be deemed to be a felony and the dispenser or proponent of such false or intentionally misleading information in regard to the book, or accountancy value of any security, on the complaint of any purchaser of such security, shall be subject to trial for felony in any court of competent jurisdiction, and on conviction therefor shall be imprisoned for not less than 2 nor more than 5 years."

Mr. SIROVICH. Mr. Chairman, ladies, and gentlemen, a great philosopher, scholar, and sage once remarked that success does not consist in making a mistake, but it consists in not making the same mistake over and over again.

The purpose of this bill is to provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets, and for other purposes.

The amendment I have just offered, in my humble opinion, will protect and strengthen this measure, with which I am in full sympathy and accord. My amendment makes it mandatory upon every corporation or organization that has listed securities upon the market to publish with it the book value or accountancy value of every listed security that is sold in the exchanges and over-the-counter markets of our country.

If the book value or accountancy value of every security had been listed upon the exchanges of our country during the years 1928 and 1929 there would never have been that unfortunate debacle and that financial catastrophe that has left so much tragedy in the lives of millions of our American citizens.

When the security bill was passed, the Latin "caveat emptor"—"let the purchaser beware"—was changed to "let the seller beware also." If this amendment of mine would be enacted into legislation, the purchaser would not only be forewarned but would be forearmed in knowing exactly what he is buying. He knows the book value and it leaves a safe

margin for speculation when he also observes the selling value of the security that he buys.

This amendment of mine would help to bring speculation within reason and help to stabilize to a very large extent the sale of securities throughout our Nation.

[Here the gavel fell.]

Mr. SIROVICH. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. EDMONDS. Mr. Chairman, will the gentleman yield?

Mr. SIROVICH. I yield.

Mr. EDMONDS. I think the gentleman's amendment, if adopted, would make the balance of the bill unnecessary.

Mr. SIROVICH. I do not desire in any way to subtract from the magnificent accomplishment of the committee in the splendid bill they have given to the House. My amendment is only a perfecting amendment which I believe would be instrumental in making the bill as nearly perfect as human ingenuity and diversified minds can make it so.

Mr. EDMONDS. Mr. Chairman, will the gentleman yield further?

Mr. SIROVICH. I yield.

Mr. EDMONDS. The gentleman's amendment is the only thing needed. It means more than all the balance of the bill.

Mr. SIROVICH. I am exceedingly grateful for the compliment paid to me by the distinguished gentleman from Pennsylvania. I appreciate his sentiments very deeply. At this time I should like to bring my surgical knowledge into operation and apply it to this bill.

Mr. Chairman and fellow Members of the Committee, as a surgeon it has been my privilege to open many an abdomen and correct the pathological conditions that are responsible for the diseases of human individuals. I have removed many an appendix, gall bladder, parts of the stomach, and sections of the intestines. When you remove the cause of disease you invariably cure the condition from which the individual suffers. In my humble opinion, this amendment would be instrumental in removing many of the exciting and contributory factors that are responsible in having people buy securities with whose values they are not conversant. Through a uniform system of bookkeeping any certified public accountant could easily determine the book value or accountancy value of any share of any security listed upon the exchanges of our country.

In every city, in every State, in every municipality property is appraised in order to determine its assessed value. No one with his eyes wide open will pay $400,000 for a piece of property that is assessed at only $20,000. The same principle applies to securities that are listed upon the markets of our country. If a stock known as "A stock" has a book value of $40, only an insane man will pay $2,000 or $3,000 for it. On the other hand, if a stock is listed on the markets as having a book value of $80 a share and sells for $40 a share, every conservative investor will try to purchase this stock because of its undervaluation in the selling market as compared to its book value.

This amendment of mine would help every conservative corporation or organization to honestly and legitimately sell its shares to the investing public upon the theory that book value and accountancy value gives them a formula upon which they can intelligently buy any of our securities of industry, finance, or commerce.

Mr. Chairman and members of the Committee, I desire at this time to pay the tribute of my homage and respect to the distinguished chairman of the committee and to the other members of the committee on both sides of the aisle who have so earnestly, faithfully, and conscientiously labored to bring out a measure of this nature that will to a large extent eliminate the evils and abuse to which the innocent investors of our country have been subjected in the past. [Applause.]

Mr. BLACK. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I was a little surprised to hear the distinguished doctor proclaim so strongly for this bill. After all, the market is only an indicator of business conditions. I would be surprised indeed to see the eminent scientist, the doctor who has just spoken, entering a patient's sick room, finding that the patient's temperature was very low, then proceed to kick the thermometer around the room, but that is what is being done now through the instrumentality of this bill.

After all, the stock exchange and the curb market are but barometers and thermometers of business conditions.

I do not know how you are going to keep people from losing money if they want to lose it unless you pass a law providing for the issuance each day of a Government bulletin saying: "Mr. Citizen, on this stock you can only spend so much; on this stock you can spend only so much. If you spend more, you commit a felony; if you spend exactly the price proclaimed, the Government will lend you the money."

Mr. SIROVICH. Mr. Chairman, will the gentleman yield?

Mr. BLACK. The doctor is interrupting me when I am conducting a clinic in a very orderly way. [Laughter.] Mr. Chairman, I cannot yield.

Another thing, I do not know how long it is going to take the accountants to get these figures together in order to warn the public. This means that once every 3 months the public will get accurate information; then the public can go "haywire" as to the prices and real values for the next 3 months following the report.

I know that the gentleman from New York [Mr. SIROVICH] means well and that he has an honorable purpose in view, but may I say to the gentleman and those who are from city districts that I have as much right to stand on the floor of this House and protect my people as any man representing any region has to protect his people. I feel that the stock exchange, by the issuance of securities, has been able to develop this country. They have sent money to the West, to the South, and to other places. They have helped mining, railroads, and other projects. Money drawn through the market on the eastern coast has gone for the development of all parts of the country.

There are stenographers, clerks, and accountants employed by stock-exchange houses in New York and elsewhere. Some are my constituents, and I feel that every man from a city district, particularly New York City and other cities which have branch houses, should do as much to protect their constituents under attack as you folks from the farming country would in order to protect your interests.

If you paralyze the stock market—in other words, if the doctor came into the sick room and squeezed the heart of the Nation when it needs help—you will paralyze the entire business of the country. You will not only hurt us in New York, but you will hurt every part of the country. You will ruin business by the rigidity called for in this bill and by the additional rigidity that the gentleman from New York would seek by his amendment.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment of the gentleman from New York [Mr. SIROVICH].

The amendment was rejected.

Mr. McCORMACK. Mr. Chairman, I move to strike out the last word to ask the distinguished chairman of the committee a question.

There are a number of corporations in the United States that have subsidiary corporations in foreign countries. It is necessary for them to form separate corporations in foreign countries, because if they do not do so and it is found that they are identified with an American corporation, there is a possibility of their being discriminated against.

In making the returns provided for by this bill, they will also have to incorporate in the return their holdings in these foreign corporations or furnish a return for the corporations in the foreign countries. That is all right. I have no objection to that, and I am in harmony with the idea.

But if there is any public disclosure, it will enable foreign countries to find out who these corporations are and the fact that they are affiliated financially directly or indirectly with American corporations.

Is there any provision in this bill which will permit the Commission, if they deem it advisable and in the best interests of our people, or if there is no public demand requiring the same, to provide that there be no publicity as to the returns made on those foreign corporations?

Mr. RAYBURN. It is the understanding that they will not.

The Clerk read as follows:

OVER-THE-COUNTER MARKETS

SEC. 14. It shall be unlawful, in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest and to insure to investors protection comparable to that provided by and under authority of this act in the case of national-securities exchanges, (1) for any broker or dealer, singly or with any other person or persons, to make use of the mails or any means or instrumentality of interstate commerce for the purpose of making or creating, or enabling another to make or create, a market, otherwise than on a national-securities exchange, for both the purchase and sale of any security (other than an exempted security), or (2) for any broker or dealer to use any facility of any such market. Such rules and regulations may provide for the regulation of all transactions by brokers and dealers on any such market, for the registration with the Commission of dealers and/or brokers making or creating such a market, and for the registration of the securities for which they make or create a market, and may make special provision with respect to securities or specified classes thereof listed, or entitled to unlisted trading privileges, upon any exchange on the date of the enactment of this act which securities are not registered under the provisions of section 11 of this act.

Mr. CLAIBORNE. Mr. Chairman, I move to strike out section 14.

Mr. Chairman, this section, like many others, is as clear as mud to me. I wish I had the ability to fully understand this act. I have not been furnished any light by which to guide my conduct. I am from Missouri. You have to show me.

I prefer to do my thinking and not act on orders. In my district a gentleman proposes to run against me because I am not following the President closely enough. I am mighty proud of my seat in this House. I am fond of my associates here. I am the seventh member of my family to sit in Congress, but I would rather be beat by voting for what I believe in than stand here until my head was covered with the snowflakes of years.

The chairman of the committee, Mr. RAYBURN, sought in the beginning of the discussion in a very skillful manner to prejudice the new Members by throwing out the suggestion that if we voted against the bill we were taking orders from Wall Street. I do not hesitate to stand in this distinguished body and admit that I am not ashamed of my acquaintanceship with the bankers and business men of America. If it is the purpose of my party to destroy business, big or small, I certainly do not want to go along with my party in that regard. The chairman of the committee, Mr. RAYBURN, said if it was shown that the bill was unfair in any particular to business, amendments correcting the bill in such respects would be accepted.

Take section 14 and study it. How will it be interpreted if Mr. Corcoran or Mr. Cohen perchance is given an appointment by the President? Where will the small business house stand with respect to the treatment of its stock by the Commission? They would have you believe that all the propaganda sent out was put out by Wall Street, but may I say that the other evening I received a telephone call at my hotel from my law office in St. Louis asking if I would advise a St. Louis client whose stock was falling to sell out. I said, "Oh, no; when Congress is in session you are likely to have a bear market." This call was not suggested by Wall Street.

I have received a number of telegrams since this bill has been before the committee. Permit me to read the following:

My experience in railroad financing and knowledge of the effect of public control of business enterprises justifies me in saying for your information that I believe the proposed Fletcher-Rayburn bill unwise and unworkable. It, if passed, undoubtedly would prevent anything like a free flow of private capital into productivity. To my mind it is an effort to protect the sucker at the expense of the welfare of enterprises of all kinds which must rely on private financing. Political or public control by a board at Washington with the abuses, scandals, leaks, tips, and temptations which we know are inevitable would destroy the confidence of investors not only in the stock market but in the stability and dependability of investments generally. I do not speculate in the market, and believe those who gamble should not burden the Government with their guardianship at the expense of the enterprises of the country and those who have money to invest in them.

[Here the gavel fell.]

Mr. BLANCHARD. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. SABATH. Will the gentleman yield?

Mr. CLAIBORNE. Not at this time.

Mr. SABATH. Who sent this telegram?

Mr. CLAIBORNE. I did not yield to the gentleman.

How did we get into the stock-market situation? In this way: The Government asked the public to buy Liberty bonds. The people bought them and got their first taste of such form of investment. From this they turned to the stock market in hope of greater return on the investment. The public, old and young, big and little, proceeded to make a bull market. That was the beginning of the stock market rise. The suckers had come in. Wall Street was not responsible.

You cannot write any kind of law to protect suckers. If you shut them out of the stock market they will turn to something else. Remember the Florida land boom? Nobody can read this bill and make me believe that the customers' chairs of America are to be occupied by grandmothers, sitting there complacently believing the Democratic Party has taken loss out of speculation. [Laughter.] And I am wondering, since business men are in such disfavor with the Democratic Party, where are we going to get the money to pay off our debt incurred in the last national election? How are we going to raise the campaign fund to carry on our next national election if we stifle business as this bill will do? [Laughter.]

I made a campaign over the State of Missouri in the primary and in the election, and I did not accept a dollar from a soul for campaign expenses because I did not want to get letters or wires from the fellows who might give, but I want to know how you are going to run campaigns when you harass, annoy, and destroy business. It is a practical matter.

Mr. BRITTEN. Will the gentleman yield?

Mr. CLAIBORNE. When I get through; yes.

There is another reason why I am opposed to this bill. I come from St. Louis. In St. Louis there is a great shoe house, the International Shoe Co. Under the corporate laws of the State of Missouri when corporate stock is increased each stockholder has a right to buy his or her fractional share of the increase, and in this way continues to hold his or her fractional interest. Now suppose the International should increase its capital stock, and a stockholder wishes to buy his or her fractional part of the increase, but cannot pay for same in cash, what does he or she have to do? Go to a banker to borrow and say, "Here is a loan I wish to make." "But", says the banker, "International Shoe is quoted on the market. I cannot lend you more than 45 percent." This man is prevented by this law from going along quietly working and saving and building up his fortune by borrowing and buying International stock. It was in this way 43 millionaires were made in St. Louis by International. [Applause.]

In conclusion, let it be distinctly understood I am not opposed to strict regulations of stock exchanges, but I am unalterably opposed to unreasonable registration and other requirements made on corporations doing business throughout the country, under the guise of a stock-exchange control bill.

Mr. LEE of Missouri. Mr. Chairman, I rise in opposition to the motion.

Mr. Chairman, I am sorry I cannot agree with the gentleman from St. Louis. The gentleman says he is the seventh member of the Claiborne family to come to the Congress of the United States. If he keeps up this lip that he has started, he will be the last member of that family that will ever come to any Congress. [Laughter] The gentleman talks about the International Shoe Co., and he talks about this fellow and that fellow, and how we will pay the debt that the Democratic Party owes. We are going to pay the debt and collect the money from the rank and file of honest people in this country to pay the debt of the Democratic Party [applause], and we are not going to ask these stock jugglers and these crooks that have put poison in the universities of every State in this Nation—we are not going to ask them for a dollar, because you know, CLAIBORNE, they contribute to the Republican Party, because they belong to that outfit and not ours. [Laughter and applause.]

Mr. FOSS. How about Raskob?

Mr. LEE of Missouri. Raskob happens to be a Democrat who joined our party and left yours because he found it too crooked to stay in it. [Laughter and applause.]

Mr. ELTSE of California. How about Doheny?

Mr. LEE of Missouri. How about Doheny? He used to be a Democrat, and when they caught him stealing he immediately announced himself as a Republican.

Mr. ELTSE of California. When did he make his money?

Mr. LEE of Missouri. Doheny?

Mr. ELTSE of California. No; Raskob—after he joined the Democratic Party.

Mr. LEE of Missouri. Well, everybody made money when the Democrats were in power [laughter], but for the last 12 years nobody has made any money. In my district just common, everyday men got $8, $10, and $12 a day. They got so much money and got so fat they went to voting the Republican ticket, and three fourths of them have been on soup-house soup ever since [laughter], but we are going to bring you out. We will take care of you.

We will follow Mr. Roosevelt. He wants this bill, and he is the greatest President the world has ever known. There is no question about that [applause], and everybody is for him, and everybody will be for you, but you will not get the vote of any of these suckers who are trying to rob the poor. You have got to depend on the poor, Mr. CLAIBORNE, because you run on the Democratic ticket.

Mr. CLAIBORNE. Will the gentleman yield?

Mr. LEE of Missouri. Certainly.

Mr. CLAIBORNE. God help me!

Mr. LEE of Missouri. The Lord ought to help you, and if you will pray to Him I believe He will help you, and I am going to pray for you, because it is not of the heart, it is of the head. [Laughter and applause.] I thank you.

Mr. RAYBURN. Mr. Chairman, I did not know that there was any objection to this section. Frankly, this section of the bill protects the legitimate exchange from the over-the-counter fellows in having them run from the exchange to the unregulated market. As I say, I have not heard of any objection, excepting the gentleman from Missouri, who seems to have some objections against the bill and more against the Democratic Party. He is the only one I have heard raise an objection, and I ask for a vote.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Missouri to strike out section 14.

The question was taken, and the amendment was rejected.

The Clerk read as follows:

DIRECTORS, OFFICERS, AND PRINCIPAL STOCKHOLDERS

SEC. 15. (a) Every person who is directly or indirectly the beneficial owner of more than 5 percent of any class of any equity security (other than an exempted security) which is registered on a national securities exchange, or who is a director or an officer of the issuer of such security, shall file, at the time of the registration of such security or within 10 days after he becomes such beneficial owner, director, or officer, a statement with the exchange (and a duplicate original thereof with the Commission) of the amount of all equity securities of such issuer of which he is the beneficial owner, and within 10 days after the close of each calendar month thereafter, if there has been any change in such ownership during such month, shall file with the exchange a statement (and a duplicate original thereof with the Commission) indicating his ownership at the close of the calendar month and such changes in his ownership as have occurred during such calendar month. Such issuer shall include in each periodical report made by it to its stockholders such information regarding changes in the ownership of its securities by its directors and officers which have occurred during the period covered by such report as may be revealed by the reports filed by such directors and officers under this subsection and by the records of such corporation.

(b) It shall be unlawful for any such beneficial owner, director, or officer, directly or indirectly, to sell any equity security of such issuer (other than an exempted security), if the person selling the security or his principal (1) does not own the security sold, or (2) if owning the security, does not deliver it against such sale within 20 days thereafter, or does not within 5 days after such sale deposit it in the mails or other usual channels of transportation, unless such person proves that he was unable to make such delivery or deposit within such time, or that to do so would cause undue inconvenience or expense.

Mr. PETTENGILL. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Page 37, beginning on line 2, after the word "person", strike out the balance of line 2, all of lines 3, 4, and 5, including the word "or." And in line 8, strike out the words "beneficial owner", and on page 38, subsection (b), lines 1 and 2, strike out the words "beneficial owner."

Mr. PETTENGILL. Mr. Chairman and gentlemen of the Committee, from the time we began the consideration of this bill in committee I have thought with reference to the regulation of exchanges that we should be careful to go far enough, but with reference to the regulation of business we should be careful not to go too far. As far as regulation of business is concerned I would rather have the test of experience and later, if necessary, tighten up the bill rather than be compelled to loosen it as we find it necessary to do now with respect to the Securities Act of last year.

With reference to section 15, this is one place where I think we have gone a little too far.

The amendment that I am offering was debated at great length in the committee, and lost by a narrow margin. The gentleman from Texas [Mr. RAYBURN] will be called upon to oppose this amendment in deference to the majority voice of the committee as well as perhaps to express his individual views.

Now, I will tell you why I think this is going too far. With reference to the directors and officers of a corporation, who stand in a fiduciary relation to the stockholders of the company, in a quasi-trustee capacity, drawing their livelihood by way of salary from the stockholders of the company—those are the people in my judgment who owe a distinct moral, if not a legal obligation to not conceal, but to reveal, whether they are selling their own stock in anticipation of a future unfavorable report known only to themselves, or buying in anticipation of a future favorable report.

But, with reference to stockholders who are not directors or officers and who owe even no moral or legal responsibility to other stockholders of the company, I think it is going too far to ask them to file reports every time they buy or sell a share of stock, if they are stockholders who own as much as 5 percent of the stock of the company. The stockholder who is not a director or an officer owes no moral obligation to anybody in the world as to whether he is buying or selling the stock, and I think that we ought not to impose this burden upon him. There are many occasions when if this language stays in I can see the possibility of grave danger to the corporation. Here is a stockholder, not a director, not an officer, but who owns 5 percent of the stock of the corporation, and who, for some reason personal to himself which has nothing to do with any inside information that he has acquired with reference to the company, but because he needs money in his own business, sells his stock, and because of the report that he is required to file within 10 days after the sale it soon becomes known that that man is selling the stock of the company. It seems to me that, although he is doing it for a reason that is personal to himself, personal to his private business, it might incite a scare on the part of the other stockholders of the company needlessly injurious to them, or which might impair the credit of the company if it becomes known that one of its large

stockholders is selling the stock, and it might be ruinous to the corporation and the stockholders to have the information known.

Mr. FISH. Mr. Chairman, will the gentleman yield?

Mr. PETTENGILL. I yield to my colleague.

Mr. FISH. Is not this much more injurious to small companies than to larger companies?

Mr. PETTENGILL. I think that with reference to smaller companies, in which one man would more often own 5 percent of the stock than in a large company, it would be a peculiar embarrassment.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. PETTENGILL. Yes.

Mr. DONDERO. Suppose that a director of a corporation found himself in the same position as a stockholder, would you not be imposing an obligation on him that the stockholder would not be under?

Mr. PETTENGILL. I appreciate the point the gentleman makes, but there has been so much internal racketeering on the part of directors and officers of corporations who, knowing that there is going to be an unfavorable report of the condition of the company 30 days hence, sells stock short that they should be put under whatever difficulty there may be, because an officer or a director is a trustee and is acting in a fiduciary capacity.

The CHAIRMAN. The time of the gentleman from Indiana has expired.

Mr. LEA of California. Mr. Chairman, I rise in opposition to the amendment of the gentleman from Indiana. The provisions proposed to be stricken out attempt to require principal stockholders who hold a controlling interest in corporations from juggling their stock to their own advantage at the expense of the stockholders.

Mr. PETTENGILL. Mr. Chairman, will the gentleman yield?

Mr. LEA of California. Yes.

Mr. PETTENGILL. The gentleman has said those who hold a controlling interest. That would mean 50 percent. I am speaking only of the man who owns as much as 5 percent.

Mr. LEA of California. I recognize the fact that the 5-percent-line is an arbitrary one. It is variable in its effects in reference to different corporations. As to all corporations listed on the great exchanges of the country, 5 percent represents an important part of the stock of such corporations. It is so commonly the case that a man who owns a large amount of stock, but nothing like a majority, controls the directors of the corporation that the committee thought it was advisable to require these large stockholders who may be trafficking in the stock of the corporation to reveal the facts.

There may be cases, of course, many cases, in which the transaction is entirely legitimate, where no wrongful purpose is intended by a transfer of the ownership of this stock. A requirement that the fact of a stock transfer be reported does not stigmatize the transaction as wrongful. The reluctance to report will be greatest where the motive is wrong. If the transaction is innocent, the Commission can withhold the information from the public. There is a provision further over in the bill—section 21 (b)—which permits the stockholder who transfers his stock to file with his report a statement protesting against making a public disclosure of the facts. The Commission has a right to consider whether or not there are just reasons for withholding the information from the public; and if there is, the information will be withheld from the public, although it is on file with the Commission.

This section of the bill has been called the "Wiggin section" of the bill. It grew out of those transactions in which many prominent men, responsible in dominating the corporations of the country, were recreant to their trust and treated the corporation not as belonging to the stockholders but as if it existed for the benefit of these special controlling stockholders or officers.

Mr. PETTENGILL. Mr. Chairman, will the gentleman yield?

Mr. LEA of California. Yes.

Mr. PETTENGILL. The gentleman, of course, recognizes the fact that Mr. Wiggin was a director and an officer and would be caught under the language of the bill even if my amendment were adopted, because he was not acting as a stockholder alone, but was acting as a director or an officer.

Mr. LEA of California. That would be true as to the man who was acting as a director.

If we pass this bill without such a provision, leaving it the duty to disclose stock transfers only as to the director, we give the opportunity for a beneficial stockholder who dominates the directorate to accomplish his purpose without being a director. So part of the object of this provision is to prevent that method of evading a revelation of the facts by a dominating stockholder.

Mr. FISH. Mr. Chairman, I move to strike out the last word, to speak briefly in favor of the amendment. I may be wrong, but I understand the original section in the bill is known as the "anti-Wiggin proviso", and the amendment proposed by the gentleman from Indiana [Mr. PETTENGILL] does not affect that at all, because Mr. Wiggin was a director of a company, and it is evident from the newspaper report, at least—and that is as far as I know about his transactions—that he sold short both his company stocks and Chase National Bank stock. As a director he would be required to disclose the amount of his sales to the Federal Trade Commission within 30 days under the provisions of this bill, and the amendment proposed does not change the status of directors or officers of a company. Under the terms of the bill an officer or a director, if he owned 5 percent of a company, would have to state when he sold short and the amount sold. The amendment offered by the gentleman from Indiana, who is trying to protect the smaller companies and individuals, is sound and helpful, because any company on any national exchange—it does not mean necessarily the Stock Exchange of New York but it means any national exchange, any small group that is recognized can constitute a national exchange, and therefore it may apply to a small company with a small capitalization of $100,000, where one man owns 5 percent. It would certainly interfere with the business of small companies and would be an injustice to individuals. I do not think that is what you want to do at all in this bill. I think you are trying to protect the public interest. The public interest would be better protected by the amendment offered by the gentleman from Indiana, which protects the rights of individuals and small companies.

I have not studied this part of the bill, but it is obvious to me from listening to the gentleman's argument that his contentions are sound, and they are in the interest of the small man and the small company. I believe that is the last kind of business anyone in this House wants to hurt. We are still trying to pump credit into those small companies. If you want to help them, you should vote for the amendment.

Mr. PETTENGILL. Will the gentleman yield?

Mr. FISH. I yield.

Mr. PETTENGILL. The gentleman will agree that there is great danger of injuring 95 percent of the innocent stockholders of a company because one man holding 5 percent, by reason of personal necessity, may find it necessary to sell that stock?

Mr. FISH. Exactly. I want to make it clear that in favoring this amendment I am entirely in sympathy with that part of the bill that makes a director, or an official such as Mr. Wiggin, show when he sells short and the amount of stock sold, because although I come from New York, I am not taking this floor to defend Albert Wiggin, as I believe he and those like him, in selling short and in mulcting the public and deceiving the members of his own bank and his own stockholders, has done more to create communism in America than all the reds combined. [Applause.]

Mr. MAPES. Mr. Chairman, I think there is a chance for an honest difference of opinion as to whether this provision should remain in the section or not, but Members of the House should understand the purpose of it and the theory of it before voting for the amendment offered by the gentleman from Indiana [Mr. PETTENGILL] to strike it out.

It seems to me that it is very easy to overestimate the inconvenience or embarrassment that anyone may suffer in connection with this provision if it should remain in the bill. In the first place, it only applies to companies whose stocks are registered upon some national securities exchange. It seems to me that would eliminate the small companies for which the gentleman from New York [Mr. FISH] has been so earnestly pleading.

Mr. BOLTON. Will the gentleman yield?

Mr. MAPES. I yield.

Mr. BOLTON. A national exchange means a stock exchange anywhere in the country of whatever size, whether it is New York or anywhere else.

Mr. MAPES. Well, it must be licensed by the Federal Trade Commission, and of course it must be doing a very substantial business.

Mr. HOLLISTER. Will the gentleman yield?

Mr. MAPES. I yield.

Mr. HOLLISTER. Can it operate unless it is licensed?

Mr. MAPES. No.

Mr. HOLLISTER. Then it covers any exchange that operates?

Mr. MAPES. It cannot operate as a national-securities exchange unless it is licensed or exempted by the Commission. The law expressly provides that if an exchange is not doing enough business to justify licensing it as a national exchange, the Commission can exempt it from the provisions of this act.

Mr. FISH. Will the gentleman yield?

Mr. MAPES. I yield.

Mr. FISH. Does that not include the Curb in New York, too?

Mr. MAPES. Yes; I think there is no question about that.

Now, Mr. Chairman, it is recognized that a great many large stockholders of corporations who are not officers or managers dictate the policies of the corporation and have all the information that any officer or anyone connected with the management has, and if you strike out this provision you will give the controlling interest in many cases an opportunity to take advantage of the secret and private information known ordinarily to the management only to speculate in the stocks of the company which it controls, the very thing that this provision attempts to prevent in the case of officers and directors. I think the House ought to understand very clearly what it is doing before it votes to strike this out of the bill.

Mr. Chairman, we get unduly excited, I think, about the information which this would require. In your town and my town at the beginning of every year the newspapers print a list of the stockholders and the number of shares which each stockholder owns in the national banks of the country. It is public information. Everybody knows it. It does not disturb the stability of the banks. Nobody will be disturbed here. This is not to prevent anybody from making an investment in corporations. If anybody is making real investments, as investments, he will not have any objection to making a report; and if he is buying and selling in the market simply to speculate in the companies in which he is an officer or which he controls, then he should be required to make the report which this provision requires.

Mr. BRITTEN. Will the gentleman yield?

Mr. MAPES. I yield.

Mr. BRITTEN. The gentleman is in error when he says that the names of the stockholders and the amount of stock held by the stockholders in these corporations is made public once a year. That does not prevail at all, and, as far as I know, in Chicago it has never prevailed.

Mr. MAPES. Well, I do not know how it is in Chicago; but at the beginning of every year the newspapers in Grand Rapids, Mich., carry a list of the stockholders, together with the number of shares that they own in the banks of the city. No one gets disturbed about it.

The CHAIRMAN. The time of the gentleman from Michigan [Mr. MAPES] has expired.

Mr. RAYBURN. Mr. Chairman, I dislike very much to disagree with the gentleman from Indiana, my friend, who has been so helpful in the preparation of this bill.

A while ago we passed a provision relating to manipulation, one of the finest in the bill. In my opinion, we are now considering another very important antimanipulative section.

The committee's investigation of utilities and other corporations revealed very few directors or officers owned a half, a quarter, or even a tenth of the stock of any of these great corporations. We do know, however, that in the case of any corporation having widely scattered stockholders the concentration of 5 or 10 or 20 or 30 percent of stock ownership is control; they can always get the proxies.

Speaking with reference to the amendment of the gentleman from Indiana to hold the officer or director of a company liable, the officer or director in many instances may not own even one half of 1 percent of the stock of the company in which he is a director. It will be found, I think, that the committee's investigation of the railroads, of power and gas companies, of telegraph and telephone companies, disclosed that rarely does an officer or director in any of these companies appear in the list of the 30 largest stockholders of the company—very rarely; but he is held, and he should be, as the gentleman from Indiana says, because he occupies a fiduciary position. Here is a man, however, who says: "I do not want to be an officer or a director for the reason that if I accept such office I am held under this provision. I can, however, be the largest stockholder in the company and by proxy and otherwise dominate the officers, the directors, and the policies of the company, and get all of the inside information, even though I am not an officer or a director. I will not, therefore, allow myself to be elected an officer; I will not allow myself to be elected a director; but I will stay on the outside, I will control the company, I will manipulate its stock up and down. When it is the proper time to run the market up in my interest I will run it up; when it is to my interest to run the market down I will have the power to run it down."

He can do all this, and his fellow stockholders throughout the length and breadth of the country will suffer as a result of this man using information never divulged to the public, using it to enrich himself and to impoverish other shareholders.

Mr. Chairman, I think it would be most unfortunate to let out the man who in the last analysis, in my opinion, really controls the corporation.

The CHAIRMAN (Mr. BYRNS). The question is on the amendment offered by the gentleman from Indiana.

The question was taken; and on a division (demanded by Mr. PETTENGILL) there were—ayes 42, noes 46.

Mr. PETTENGILL. Mr. Chairman, I ask for tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. PETTENGILL and Mr. RAYBURN.

The Committee again divided; and the tellers reported that there were—ayes 51, noes 72.

So the amendment was rejected.

Mr. GOSS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. Goss: Page 38, after line 11, insert a new subsection, as follows:

"(c) The provisions of this section shall not apply if the registration of the equity security has been been secured without the consent of the issuer thereof."

Mr. RAYBURN. Mr. Chairman, so far as the members of the committee whom I have consulted are concerned, there is no objection to the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Connecticut.

The amendment was agreed to.

The Clerk read as follows:

LIABILITY FOR MISLEADING STATEMENTS

SEC. 17. (a) Any person (including any director or officer, or accountant or other expert) who shall make or cause to be made any statement in any application, report, or document filed pursuant to this act or any rule or regulation thereunder, which statement was false or misleading with respect to any material fact, shall

be liable to any person (not knowing that such statement was false or misleading) who, in reliance upon such statement, shall have purchased or sold a security at a price which was affected by such statement, for damages caused by such reliance, unless the person sued shall prove that he acted in good faith and did not believe that such statement was false or misleading. A person seeking to enforce such liability may sue at law or in equity in any court of competent jurisdiction.

(b) Every person who becomes liable to make payment under this section may recover contribution as in cases of contract from any person who, if joined in the original suit, would have been liable to make the same payment.

(c) No action shall be maintained to enforce any liability created under this section unless brought within 3 years after the violation upon which it is based.

Mr. BRITTEN. Mr. Chairman, will the gentleman from Texas yield for a question?

Mr. RAYBURN. Certainly.

Mr. BRITTEN. Did I understand the gentleman just now to make the statement that the Committee would rise in 15 minutes?

Mr. RAYBURN. I think so.

Mr. BRITTEN. Could not the Committee rise before that?

Mr. RAYBURN. I may say to the gentleman from Illinois there is a strong desire on the part of many Members to get away by 4 o'clock tomorrow, and we want to accommodate them if possible.

Mr. BULWINKLE. May I suggest to the gentleman from Texas that we meet tomorrow at 11 o'clock?

Mr. RAYBURN. It would be satisfactory to me to meet at 11 o'clock.

Mr. HOLLISTER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HOLLISTER: On page 40, line 1, after the word "fact", insert the following: "and was known to such person to be false or misleading at the time of making such statement."

And in line 6, beginning with the word "unless" strike out the remainder of the sentence.

Mr. HOLLISTER. Mr. Chairman, I cannot feel that this Committee or the Members of the House wish to insert a provision in the bill which casts the burden of proof upon the person sued for damages on the ground of having made a false or misleading statement in a document, report, or whatever it may have been. I cannot believe that in a country where the policy has been to lean backwards in giving the benefit of the doubt to the accused, this great Committee of the House has knowingly tried to insert in this bill a provision shifting the burden of proof to the defendant to prove his innocence.

If the Members will kindly read the section carefully as it now stands, I will show you what my amendment does. The way the section reads at the present time, anyone who claims to have suffered damage because of the fact that a false or misleading statement was made, may sue the person who was responsible or one of those who was responsible for the making of the statement and recover the damages which may have resulted because of the false or misleading statement. The burden of proof is cast upon the person sued to prove that he did not believe such statement was false or misleading.

All of you know the times through which we have passed and how in the excitement of the moment it would be difficult for a defendant under such circumstances to establish his innocence. We know perfectly well that innocent party after innocent party, many a man who had a little wealth, or who had a prominent position in the community, would be compelled without doubt at a jury trial to pay damages to some person who claimed to have lost something as a result of a misleading statement. The mere declaration that the person who made the report or the statement did not know it was false or misleading would mean the word of one man against the other man, and the burden of proof would be cast upon the defendant.

I sincerely hope that the committee will accept this amendment. All I am asking is that the ordinary processes of American justice be followed, and that the individual who made these statements shall be held responsible only in the event that after proper and fair trial it is shown that he knew the statement which was made was false or misleading. In no other way should it be proper to have damages brought in against a defendant. No man should be subjected to the processes of law without the right to a defense of that kind. I hope the committee will accept the amendment.

Mr. RAYBURN. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I do not think any member of the committee will accept the amendment. We have been passing laws here which went a great deal further than this. We say here that if you make a false or misleading statement in reference to any material fact you shall be liable to any person who relies upon that statement. A man has to prove not only that the statement was false and misleading but that he relied on the statement. He cannot recover damages unless he does prove that, and if the man making the false or misleading statement, if it is a misleading statement, can prove that he acted in good faith and did not believe that the statement was false or misleading, damages will not lie against him.

If there is going to be any liability at all in this bill for false or misleading statements by which one man has gotten someone else's money, it appears to me, and the committee feels, that we have gone as far as we can to have anything in here that would protect a man who buys a security on a statement which is false and misleading.

Mr. HOLLISTER. Does the gentleman believe that it is the fair thing to make a person an insurer under such circumstances?

Mr. RAYBURN. As far as this goes; yes. A man who sells something under a false or misleading statement gets someone's money. He could not be damaged unless he got it.

Mr. HOLLISTER. This does not refer to a sale alone. It refers to a statement made in any application, document, or report.

Mr. RAYBURN. But nobody would sue him unless he was damaged.

Mr. HOLLISTER. Does the gentleman believe that whenever a man is damaged he has a right to sue somebody for damages, no matter how responsible the person sued may be for the injury?

Mr. RAYBURN. If they are responsible for the damage by false and misleading statements; yes.

Mr. HOLLISTER. Even if the statements are innocently made?

Mr. RAYBURN. If the statements are made in good faith, he is not responsible.

Mr. HOLLISTER. It casts the burden of proof upon the defendant.

Mr. RAYBURN. The burden of proof should be upon the defendant.

Mr. O'CONNOR. Is not the fallacy of the argument of the gentleman from Ohio the fact that we are talking about a civil action here? When you reach the point that a statement is false or misleading in fact that constitutes a prima facie showing, and the burden then shifts to the person accused of making the statement, which is misleading in fact or false in fact, to disprove.

Mr. HOLLISTER. The burden does not shift under any such principle of law.

Mr. O'CONNOR. If it is misleading or false in fact it makes a prima facie case.

Mr. HOLLISTER. Under what law?

Mr. O'CONNOR. Under the ordinary civil law.

Mr. HOLLISTER. A false or misleading statement does not make a prima facie case. What you are trying to do under these circumstances is cast the burden of proof completely the other way.

Mr. O'CONNOR. No.

Mr. HOLLISTER. It is a denial of justice that I do not believe this House is going to stand for.

Mr. RAYBURN. We passed laws that went a great deal further than this.

Mr. HOLLISTER. What are those laws?

Mr. RAYBURN. The Securities Act of last year and its liability provisions go a great deal further.

May I say that we have talked here a great deal about the members of the stock exchange and the fact we should not treat them unjustly. I do not want to do that. We talk about the issuer and all this, that, and the other thing, but it seems to me that a great many of us forget there is such a thing as an investing public in this country which should have some protection, and when we ask that the investor have protection against false and misleading statements with reference to a material fact and that the man knew of the statement and relied upon the statement as being not false and not misleading and invested his money, it does appear to me that the man ought to have some protection.

Mr. HOLLISTER. Mr. Chairman, will the gentleman yield?

Mr. RAYBURN. I yield.

Mr. HOLLISTER. The gentleman keeps referring to the issuer or the seller. This is a general clause and covers anybody making any kind of statement in any kind of document or in any kind of paper that is filed. It includes accountants, lawyers, or any other expert.

Mr. RAYBURN. No.

[Here the gavel fell.]

Mr. MILLARD. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. RAYBURN. I want to read this part of the section to the gentleman:

Who, in reliance upon the statement, shall have purchased or sold a security.

Mr. HOLLISTER. Yes; that is the man who is going to sue. I am talking about the report that is made. This refers to any statement that is made in any report under this bill, if it contains a misleading statement.

Mr. RAYBURN. If upon that report somebody bought or sold a security and lost money relying upon the statement that was false.

Mr. HOLLISTER. Exactly, and it may have been a lawyer or an accountant or any other expert hired for the occasion. We make such a man practically an insurer, no matter how honest he may have been, if the statement is misleading. If he cannot sustain the burden of proof he is going to be held liable.

Mr. RAYBURN. Exactly, because he got the other man's money.

Mr. HOLLISTER. And the gentleman considers that American justice?

Mr. RAYBURN. I certainly do.

Mr. MILLIGAN. If the gentleman will yield, that is the common law.

Mr. HOLLISTER. It is not the common law in any State of the Union, never has been and never will be, I hope.

The CHAIRMAN (Mr. TAYLOR of Colorado). The question is on the amendment offered by the gentleman from Ohio [Mr. HOLLISTER].

The amendment was rejected.

Mr. RAYBURN. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. TAYLOR of Colorado, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H.R. 9323) to provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets, and for other purposes, had come to no resolution thereon.

PHILIPPINE INDEPENDENCE

Mr. McDUFFIE. Mr. Speaker, I ask unanimous consent to extend my remarks and to include therein a cablegram from Governor Murphy, of the Philippine Islands, to the Secretary of War.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. McDUFFIE. Mr. Speaker, under leave granted to extend my remarks by inserting in the RECORD a cablegram addressed to the Secretary of War by the Governor General of the Philippine Islands, it is with pleasure that I submit the message of Governor Murphy, which sets forth the concurrent resolution passed unanimously in a joint session of the Philippine Legislature on May 1, 1934.

The passage of this resolution undoubtedly indicates the good faith of the Filipino people in laying the foundation for a free and independent nation. These people have progressed in a way that surpasses all other nations in the Orient within the past 30 years. The spirit and economic conditions obtaining in the Philippine Islands today are a credit to both the American Government and the constructive leadership of the Philippine people. No colonization scheme in all the history of the world, especially insofar as the Orient is concerned, can compare with that of the United States in the Philippine Islands.

It has never been the intention of the American people since the day our flag was raised at Manila to hold the Filipino people against their will. From time to time the American Congress has given expression by its various acts to such an attitude on the part of our Government. We have promised that when the people of the islands attained a social and economic status qualifying them for self-government, we would make them a free and independent people. We took the first step in carrying out that promise by passing the Hare-Hawes-Cutting Act, which was later amended, and became Public Law 127 of the present Congress.

The legislature of the islands is to be congratulated. The passage of this resolution on May 1, I am sure, is thoroughly appreciated by the American people, and I am likewise sure an overwhelming majority of our people are looking with sympathetic interest in the future welfare of the Filipino people. I can but believe the injustice and burden of the tax on their second largest industry will be rectified in some way to the satisfaction of both countries. In all justice and fairness this great nation should keep its traditional faith with the Filipino people.

On behalf of the Committee on Insular Affairs of the House of Representatives I extend hearty felicitations to the members of the Legislature of the Philippine Islands and to the Filipino people, and bid them Godspeed in their onward march to independence.

The message from the Governor General to the Secretary of War follows:

MESSAGE RECEIVED BY THE SECRETARY OF WAR, HON. GEORGE H. DERN, FROM THE GOVERNOR GENERAL OF THE PHILIPPINE ISLANDS, QUOTING THE TEXT OF THE CONCURRENT RESOLUTION ADOPTED AT THE SPECIAL SESSION OF THE NINTH PHILIPPINE LEGISLATURE ACCEPTING THE ACT OF CONGRESS APPROVED MARCH 24, 1934 (PUBLIC, NO. 127, 73D CONG.), THE NEW PHILIPPINE INDEPENDENCE ACT

Signed copies of following concurrent resolution received today: Concurrent resolution accepting Public Act No. 127 of the Congress of the United States, commonly known as the "Tydings-McDuffie Act", and expressing the gratitude of the Philippine Legislature and the Filipino people to the President and Congress of the United States and the American people.

Whereas the Seventy-third Congress of the United States of America has enacted Public Act No. 127, entitled "An act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes", and commonly known as the "Tydings-McDuffie law";

Whereas section 17 of the aforesaid act requires the acceptance thereof by concurrent resolution of the Philippine Legislature or by a convention called for the purpose of passing upon that law before the same shall take effect;

Whereas although the Philippine Legislature believes that certain provisions of said act need further consideration, the said legislature deems it its duty to accept the proffer of independence thus made by the Government of the United States;

(A) Because the Filipino people cannot, consistent with their national dignity and love of freedom, decline to accept the independence that the said act grants;

(B) And because the President of the United States in his message to Congress on March 2, 1934, recommending the enactment of said law, stated: "I do not believe that other provisions of the original law need be changed at this time. Where imperfections or inequalities exist, I am confident that they can be corrected after proper hearing and in fairness to both peoples." A statement which gives to the Filipino people reasonable assurances of further hearing and due consideration of their views: Now, therefore, be it

Resolved by the senate (the House of Representatives of the Philippines concurring), That Public Act No. 127 of the Seventy-third Congress of the United States, entitled "An act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes", commonly known as the "Tydings-McDuffie law", be, and is hereby, accepted by the Philippine Legislature in accordance with the provisions of section 17 thereof;

Resolved further, That the Philippine Legislature, in its own behalf and in behalf of the Filipino people, express, and does hereby express, its appreciation and everlasting gratitude to the President and the Congress of the United States and the American people.

Adopted May 1, 1934. Manuel L. Quezon, president of the senate. Quintin Paredes, speaker of the house of representatives.

We hereby certify that the foregoing concurrent resolution was adopted by the Senate and House of Representatives of the Philippines in joint session on May 1, 1934. Fermin Torralalba, secretary of the senate; Julian La O, acting secretary of the house of representatives.

MURPHY.

WAR DEPARTMENT, *May 2, 1934.*

THE SUGAR INDUSTRY

Mr. MONTET. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. MONTET. Mr. Speaker, the remarks of the gentleman from the Philippine Islands [Mr. GUEVARA] appearing in yesterday's RECORD indicate that while the Filipino sugar producers sought to take undue advantage of the American market pending the preparation and consideration of the sugar bill, they now have the audacity to plead for further consideration in the administration of the sugar program looking to the stabilization of this industry.

The Filipino sugar producers never favored the program in question. Their protests against it were heard throughout the country. They stamped this effort to help our American sugar-beet and cane growers as unpatriotic. In spite of the fact that Congress has written into the law that the marketing year shall begin January 1, 1934, they are still appealing that through administrative edict this date be changed to July 1, 1934. In spite of the low market price for sugar, by reason of their low production cost these producers have managed to show an operating profit anywhere from 10 to 30 percent on each unit of operation during this depression. By reason of their low production cost they have been able to monopolize the market and now request the further unrestrained privilege to continue in this debacle at the expense of our continental sugar producers.

I desire to submit some facts which conclusively show that, while the Filipino sugar producers were appealing to the patriotism of this country, at the same time they were attempting to take undue advantage of the delays necessary for the consideration of this legislation, and that by reason of their unfair methods and practices caused the sugar market to decline to a level absolutely out of proportion to the price of other commodities. While they were reminding us of solemn obligations to them in the hope of defeating or delaying the legislation, they were abnormally exporting sugar to this country, depressing the market, and at the same time expecting to "beat the wire" before the legislation would become law. However, because the marketing year begins January 1, 1934, for the administration of the act, this effort to take undue advantage of the situation has amounted to naught.

In 1931 the Philippine Islands exported to this country 679,968 tons of sugar. In 1932, 869,369 tons. In 1933 this increased to 1,035,738 tons, and according to the Weekly Statistical Sugar Trade Journal, published by Willet & Gray, of date April 26, 1934, our sugar importations from these islands during the first 3½ months of this year, amounted to 860,000 tons, thus flooding the market of this country with sugar in an amount almost equal to the entire 1933 importations from those islands, and at a time of the year when they, as well as anyone else, know there is less demand for sugar than during any other 3½ months of any year. In view of the sugar legislation and the sugar proposal which had been pending for many months, these figures bespeak the purposes behind these abnormal importations of sugar into this country. The London market established the world price for sugar. During this time when the Filipinos have been abnormally exporting sugar into this country, they forced our markets to a level 20 points below the world market. This not only represents a loss to our sugar producers but is as well an irretrievable loss to the Filipinos. Sugar is already the cheapest food article obtainable. While sugar has been selling at 2.70 in this country, it is a well-known fact that if sugar prices were on a level with that of other agricultural commodities, this price would now be 3.10, but to have it further depressed by the Filipinos in the fashion and for the purposes they have and at the expense of our sugar-beet and cane growers is only adding insult to injury. It must be obvious to all that while the Filipino sugar producers were stirring American patriotism on the continent, they were at the same time unethically attempting to defeat the purposes of this legislation in the hope that Congress would not take cognizance of their methods, thus permitting them to wreck the sugar market as they have during the last few months and at the same time expecting that in the allocation of their quota, this keen but defeated purpose would not be taken into consideration. I am happy to state, however, that under the sugar bill, these unscrupulous methods have met with substantial defeat, because the marketing year for which quotas are to be established is to begin January 1, 1934.

These large importations of sugar, coming from one source and at a time which reflects the lowest consuming months of the year, had the very detrimental effect of depressing the market to such an extent as to seriously impair the selling of sugars by domestic producers, to say nothing of what it has done to the Cubans and Hawaiians through the depressed market for granulated sugar. Such high-handed methods in trying to defeat the stabilization of the sugar industry by placing this product on the market in an irregular and disorganized manner are reprehensible indeed.

No sugar-producing area has prospered as much under the present sugar tariff as has the Philippine Islands. They have doubled their production since 1931, and their importations into this country have almost doubled. They have always sold their sugars on our market at a price below the world market. This they have done for many years. We have always manifested a helpful attitude toward the Philippine Islands, and I feel that this country should know of their sugar producers' last efforts to take advantage of the situation pending the formation and passage of the sugar bill. These people always raise the American flag, but on the other hand they have shown little respect for the rights of those of us who live on the continent and under this flag. In my opinion, their methods of continually wrecking the American sugar market, and particularly their last efforts in trying to "beat the wire" under the sugar bill, deserve universal condemnation. It is obvious to me that they have shown little or no appreciation of our many manifestations of interest and friendship toward them. Now that in the first 3½ months of this year they have practically exhausted what they can reasonably expect as their quota under the sugar bill, in all probability they will again appeal to American patriotism and clamor that they are not being fairly dealt with under the legislation in question. The facts disclose that the American people should pay little heed to these appeals, as they spring from a Filipino industry which by its conduct has demonstrated that it has little respect for the purposes of Congress, and which obviously believes that in all things the ends always justify the means.

In spite of the fact that the marketing year of 1934 has been designated in the act as beginning January 1, 1934, it is obviously the intention of the Filipino sugar producers

to appeal to the Secretary of Agriculture to make the marketing year begin on July 1 next, so that whatever sugar these producers have brought in during the first 3½ months will have been just that much advantage which they will have had over all other producers, including our own American farmers. Even now, if we may judge by the past, it is to be expected that these producers of Philippine sugar will seek to have some special treatment or exemptions in their favor because they will have large amounts of sugar on hand over and above their quota allotment for 1934. I personally have every confidence in the judgment and fairness of our Secretary of Agriculture, and I know that his fairness will not permit him to listen to the appeals of those who have not only depressed the market price for sugar more than 20 points under the world market but who sought to take advantage of a situation, to the detriment and harm of our own American producers and farmers.

These comments are not leveled at the Filipino people as a whole. My active participation in their fight for freedom is well known to all. I do feel, however, that, in justice to our own sugar producers, the people of this country are entitled to the facts with respect to the unfair methods of the Philippine sugar producers.

PRESENT-DAY GOVERNMENT

Mr. McFADDEN. Mr. Speaker, I ask unanimous consent to extend my remarks by including therein a radio address delivered over Station WOL last evening.

Mr. SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. McFADDEN. Mr. Speaker, under leave to extend my remarks in the RECORD I include the following address made by me yesterday evening over Station WOL in Washington, D.C.:

Just prior to and since the election of President Franklin D. Roosevelt in 1932 this country has been educated to a new phase in government, "brain trust advisers", and through them the "new deal" has introduced a national political economic planning scheme which seems to have permeated all branches of Government.

The original "brain trust" was composed of Prof. Raymond Moley, Prof. Rexford Tugwell, and Justice Brandeis' contribution, A. A. Berle, Jr., and Bernard M. Baruch's contribution, Gen. Hugh S. Johnson. To these must be added Prof. George F. Warren and Prof. James Harvey Rogers, the gold-specialist twins, and other Justice Louis D. Brandeis' confreres, Prof. Felix Frankfurter, James M. Landis, Jerome Frank, and another Bernard M. Baruch contribution, Donald Richberg, Frederic C. Howe, Harry L. Hopkins, Clarence Darrow, Mordecai Ezekiel, Harold Ickes, and one must not omit Secretary of Agriculture Henry A. Wallace, nor the other Cabinet member, Henry Morgenthau, Jr., nor should we omit Henry Morgenthau, Sr., who is a sort of superadviser for his illustrious son.

These men are now or have been actively engaged in the various phases of the political-economic plan called the "new deal."

The country has recently been treated to the spectacle of the present administration's attempt to ridicule the idea that there is a definite new plan of government in process. Without attempting to comment in any manner whatever on the attempt to disarm the public, I desire now to refer briefly to a plan that was advocated as far back as 1918 when A. A. Berle had some very definite ideas regarding the establishing of a new state. Indeed, he wrote a little book on "The Significance of a Jewish State", dedicated to his friend, Louis D. Brandeis. In it he regarded the Jew as "the barometer of civilization at all times." He recognized the inability of Christianity to avert war or "to do a single thing toward mitigating its worst effects", and seemed to think the Jews were the only power that could do anything about it.

He believed "A Jewish state would be a 'Hague' which could, and which would, command the attention and govern the thought of the world."

He did not wait for the public recognition of the "brain trust" to start a campaign for social regeneration. In 1918 he said: "There have been many of us who for many years have seen in the Hebrew laws the elements of the social regeneration of the world. * * * It would have commanded interest to the entire world to see a state, albeit a small one, work these problems through, and especially a state which could, and which would, call to its aid the finest body, collectively, of intellectual force and discrimination which the world knows. * * * A rationalized Hebrew state, founded on Hebrew fundamental laws—ethical, social, sanitary, dietary, and all the rest—would be a working laboratory of social regeneration which would excite breathless attention. * * *"

In this state he advocated: "Concessions to intending builders could be made on the national plan and automatically agreeing with the national interest and the public welfare. The industrial expansion, therefore, could be without those weary steps toward freedom, which all other industrial civilizations have to undergo. Almost from the beginning land and industries, public resources, mineral and otherwise, could be nationally administered, and all this would make a most novel and striking page in statecraft. * * *"

An attempt to establish a political economic plan is now in operation under the leadership of a group, formerly connected with the Fabian Society in England. This, until the present, secret political-economic plan was drawn up by Israel Moses Seiff, an Israelite, the director of a chain-store enterprise in England, called "Marks & Spencer", which house handles almost exclusively imports from Soviet Russia, which enables them to undersell its competitors. Prominent members of this organization in England, besides Seiff, are Ramsay Macdonald; his son, Malcolm Macdonald; Sir George May; Kenneth Lindsey; Gerald Barry; I. Nicholson; Sir Henry Bunbary; Graeme Haldane; I. Hodges; Lady Reading; Daniel Neal; Sir Basil P. Blackett; Sir Arthur Salter; Sir Oswald Mosley; Sir George Allan Powell; Sir Sydney Chapman; Lord Eustace Percy; Ronald Davison; Lord Melchett; Sir Christopher Ternor; Mrs. Leonard Elmhirst, formerly Dorothy Willard Straight nee Whitney, of New York.

This political-economic plan organization, now secretly operating in England, is designated "Freedom and Planning", and is divided into many well-organized and well-financed departments, such as Town and Country Planning, Industry, International Relations, Transportation, Banking, Social Services, Civil Division. It is already in operation in the British Government by means of the Tariff Advisory Board. It has gathered all data and statistics obtainable by governmental and private organizations in administrative, industrial, trade, social, educational, agricultural, and other circles. Through its Tariff Advisory Board it has control over industry and trade and works in direct connection with the British Treasury, and together they devise the British tariff policy. It has also been granted the power of a law court and can exact, under oath, that all information concerning industry and trade be given it. Iron and steel and cotton industrials have been ordered by the Tariff Advisory Board to prepare and submit plans for the reorganization of their industries, and have been warned that should they fail to do so a plan for complete reconstruction will be imposed upon them. This board has been granted default powers, and can, therefore, enforce its plans.

May I pause here to suggest the similarity of the "Freedom and planning" scheme of the political-economic group in England with the N.R.A., the Bankhead cotton bill, the control of farm acreage, and the other planned developments of the new deal under the direction of the "brain trust" and their cohorts?

Neither you are nor I am particularly interested in what takes place in England, but what should interest us Americans, it seems to me, are the strong indications that point to the putting into operation definitely of this plan in the United States, with the necessary changes to adapt it to our conditions. This is made pertinent by the well-known fact that this particular English group has very close connections with the Foreign Policy Association of New York. This association was largely organized and fostered by Felix Frankfurter and the late Paul N. Warburg. In this group we must also place Henry A. Wallace, the present Secretary of Agriculture, for the reason that he has recently caused to be published under the auspices of the Foreign Policy Association a copyrighted article entitled "America Must Choose." This article is quite in keeping with the "Freedom and Planning" group in England.

There is no doubt, I think, that Professors Frankfurter, Moley, Tugwell, Berle, Jr., and the mysterious Mordecai Ezekiel are all members of this particular group who are carrying out a world plan.

That this political-economic group practically controls the British Government is indicated by the fact that Prime Minister Macdonald and his son and J. H. Thomas and other influential Britishers are officers of the group.

An interesting sidelight is that some 6 months ago when the father of this plan, Israel Moses Sieff, was urged to show more activity by the members of his committee, his answer was "Let us go slowly for a while and wait until we see how our plan carries out in America." That statement indicates that a plan similar to theirs is being tried in America.

When we consider Professor Tugwell's announced plans for control of all land in the United States and the production therefrom, and when we consider the plans of Professor Berle, Jr., for the railroads and finances of this country, and when we consider the Mordecai Ezekiel-Tugwell-Bankhead cotton control bill and the Wallace hog, corn, and wheat control plans, and the Ickes control of mineral and petroleum industries, and General Johnson's N.R.A. control of industry, we must know that something is being tried out here. And, again, when we hear President Roosevelt say, as he did on April 25, 1934, that this is "evolution not revolution", in his address at the opening of a subsistence homestead exhibit, at which time, according to press reports, he made an appeal for the recognition of the importance of long-range national planning as a step toward permanent improvement of the economic and social structure of the Nation, and he stated that the administration was going ahead with its experiments, can we say that this is mere experimentation? Further the President said, "If we look at this thing from the broad national viewpoint, we are going to make it a national policy if it takes 50 years." Again he said, "The time is now ripe, overripe, for planning to prevent in the future the errors of the past and to carry out social and economic views new to the Nation." Also,

yesterday, President Roosevelt announced the formation of a "plan committee on national land problems", with the apparent purpose of coordinating and stimulating the Federal program for retiring submarginal land—the Tugwell plan—which he designated as one of the main divisions of national long-range planning. The avowed purpose of the committee, according to the White House announcement, will be to improve "practices of land utilization" and achieve "better balancing of agricultural production, aiding in the solution of human problems in land use and developing of a national land program."

In view of all these things, can we say that this is mere experimentation? Or shall we say that which it is? It is assuredly "Freedom and Planning", adapted to the United States. Stripped of all its camouflage, it is the guild form of government and is the kind of government that has recently been established in Italy and Austria and which will be established in England if this particular group under the leadership of Israel Moses Sieff succeed in their plans. The guild form of government is directly the opposite of the constitutional form of government. It is the Jewish plan of a World State.

Mr. PETTENGILL. Mr. Speaker, I desire to submit a parliamentary inquiry to the Chair.

In the Appendix of the CONGRESSIONAL RECORD, when remarks that purport to be remarks of a Member of the House are included as an extension of remarks, is it to be assumed that the remarks were not made on the floor of the House?

The SPEAKER. They may have been withheld for revision. The Chair would have no knowledge about how the remarks were made.

Mr. PETTENGILL. The reason I ask this question is because I have noticed two or three times lately, and I am not going to refer to any Member of the House by name, that in extensions of remarks the words "laughter and applause" or "applause" have been sprinkled in the remarks, and I have wondered if it is correct for the Public Printer to insert any such language as that with respect to "applause" that did not occur on the floor of the House.

Mr. SNELL. I saw one a short time ago that had that in six different places.

The SPEAKER. The reporters can insert such words where it actually occurred on the floor.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. BROWN of Michigan, for Friday and Saturday, on account of official business in Michigan.

To Mr. SWEENEY, for 10 days, on account of illness.

Mr. BYRNS. Mr. Speaker, the Chairman of the Judiciary Committee has reported the following bills, which are popularly known as the "crime bills." They are H.R. 9370, S. 2460, H.R. 8912, S. 2080, S. 2249, S. 2845, S. 2252, S. 2841, S. 2253, S. 2575. So far as I can learn, there is no objection to any of these bills. They were presented and urged by the Department of Justice in the interest of the campaign being made against the kidnapers, racketeers, gangsters, and criminals of the country.

I ask unanimous consent that it may be in order for the Chairman of the Judiciary Committee to call up these bills for consideration under the general rules of the House. I think that will avoid loss of time rather than have to resort to a rule.

Mr. SNELL. Are they unanimous reports from the Judiciary Committee?

Mr. BYRNS. All unanimously reported, as I understand, by the Judiciary Committee. The Senate bills were unanimously passed by the Senate.

Mr. BLANTON. And all recommended by the Department of Justice?

Mr. BYRNS. Yes; and they urge that they be passed as quickly as possible.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

ENROLLED BILLS SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H.R. 7835. An act to provide revenue, equalize taxation, and for other purposes.

The SPEAKER announced his signature to an enrolled bill of the Senate of the following title:

S. 2922. An act to amend the act entitled "An act to promote the circulation of reading matter among the blind", approved April 27, 1904, and acts supplemental thereto.

JOINT RESOLUTION PRESENTED TO THE PRESIDENT

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, a joint resolution of the House of the following title:

H.J.Res. 332. Joint resolution to provide appropriations to meet urgent needs in certain public services, and for other purposes.

ADJOURNMENT

Mr. BYRNS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 17 minutes p.m.) the House adjourned until tomorrow, Friday, May 4, 1934, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

448. A communication from the President of the United States, transmitting a supplemental estimate of appropriation for the Department of Agriculture, Bureau of Chemistry and Soils, for the fiscal year ending June 30, 1935, amounting to $7,500 (H.Doc. No. 354); to the Committee on Appropriations and ordered to be printed.

449. A communication from the President of the United States, transmitting a deficiency estimate of appropriation for the Post Office Department for the payment of rewards for the detection, arrest, and conviction of post-office burglars, robbers, and highway mail robbers during the fiscal year 1933, in the sum of $4,900 (H.Doc. No. 353); to the Committee on Appropriations and ordered to be printed.

450. A communication from the President of the United States, transmitting with recommendation for its early consideration by Congress, a proposed provision of legislation to make available to the Secretary of Agriculture the funds required to give effect to the act of Congress approved April 21, 1934 (Public, No. 169), relating to cotton (H.Doc. No. 352); to the Committee on Appropriations and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. SOMERS of New York: Committee on Coinage, Weights, and Measures. H.R. 8513. A bill to authorize the coinage of 50-cent pieces in commemoration of the birthplace and boyhood home of Gen. Thomas J. (Stonewall) Jackson; with amendment (Rept. No. 1445). Referred to the Committee of the Whole House on the state of the Union.

Mrs. NORTON: Committee on the District of Columbia. H.R. 8987. A bill to amend an act entitled "An act to establish a Board of Indeterminate Sentence and Parole for the District of Columbia and to determine its functions, and for other purposes", approved July 15, 1932; without amendment (Rept. No. 1446). Referred to the Committee of the Whole House on the state of the Union.

Mrs. NORTON: Committee on the District of Columbia. H.R. 4099. A bill to establish a holiday to be known as Jefferson's Birthday; without amendment (Rept. No. 1447). Referred to the House Calendar.

Mrs. NORTON: Committee on the District of Columbia. S. 3289. An act to transfer the powers of the Board of Public Welfare to the Commissioners of the District of Columbia, and for other purposes; without amendment (Rept. No. 1448). Referred to the Committee of the Whole House on the state of the Union.

Mr. KENNEDY of Maryland: Committee on Disposition of Useless Executive Papers. Report on the disposition of

useless papers in the Federal Radio Commission (Rept. No. 1449). Ordered to be printed.

Mr. MAY: Committee on Military Affairs. S. 1328. An act to provide for the donation of certain Army equipment to posts of the American Legion; without amendment (Rept. No. 1450). Referred to the Committee of the Whole House on the state of the Union.

Mrs. GREENWAY: Committee on Indian Affairs. H.R. 8982. A bill to define the exterior boundaries of the Navajo Indian Reservation in New Mexico, and for other purposes; with amendment (Rept. No. 1451). Referred to the Committee of the Whole House on the state of the Union.

Mr. HUDDLESTON: Committee on Interstate and Foreign Commerce. H.R. 9141. A bill granting the consent of Congress to the State of Alabama, its agent or agencies, and to Colbert County and to Lauderdale County in the State of Alabama, and to the city of Sheffield, Colbert County, Ala., and to the city of Florence, Lauderdale County, Ala., or to any two of them, or to either of them, to construct, maintain, and operate a bridge, and approaches thereto, across the Tennessee River at a point between the city of Sheffield, Ala., and the city of Florence, Ala., suitable to the interests of navigation; without amendment (Rept. No. 1452). Referred to the House Calendar.

Mr. MAPES: Committee on Interstate and Foreign Commerce. S. 3144. An act to legalize a bridge across the St. Louis River at or near Cloquet, Minn.; without amendment (Rept. No. 1453). Referred to the House Calendar.

Mr. CONDON: Committee on the Judiciary. H.J.Res. 317. Joint resolution requesting the President of the United States of America to proclaim May 20, 1934, General La Fayette Memorial Day for the observance and commemoration of the one hundredth anniversary of the death of General La Fayette; without amendment (Rept. No. 1454). Referred to the House Calendar.

Mr. SUMNERS of Texas: Committee on the Judiciary. S. 2080. An act to provide punishment for killing or assaulting Federal officers; with amendment (Rept. No. 1455). Referred to the House Calendar.

Mr. SUMNERS of Texas: Committee on the Judiciary. S. 2249. An act applying the powers of the Federal Government, under the commerce clause of the Constitution, to extortion by means of telephone, telegraph, radio, oral message, or otherwise; with amendment (Rept. No. 1456). Referred to the House Calendar.

Mr. SUMNERS of Texas: Committee on the Judiciary. S. 2252. An act to amend the act forbidding the transportation of kidnaped persons in interstate commerce; with amendment (Rept. No. 1457). Referred to the House Calendar.

Mr. SUMNERS of Texas: Committee on the Judiciary. S. 2253. An act making it unlawful for any person to flee from one State to another for the purpose of avoiding prosecution or the giving of testimony in certain cases; with amendment (Rept. No. 1458). Referred to the House Calendar.

Mr. SUMNERS of Texas: Committee on the Judiciary. S. 2460. An act to limit the operation of statutes of limitations in certain cases; without amendment (Rept. No. 1459). Referred to the House Calendar.

Mr. SUMNERS of Texas: Committee on the Judiciary. S. 2575. An act to define certain crimes against the United States in connection with the administration of Federal penal and correctional institutions and to fix the punishment therefor; with amendment (Rept. No. 1460). Referred to the House Calendar.

Mr. SUMNERS of Texas: Committee on the Judiciary. S. 2841. An act to provide punishment for certain offenses committed against banks organized or operating under laws of the United States or any member of the Federal Reserve System; with amendment (Rept. No. 1461). Referred to the House Calendar.

Mr. SUMNERS of Texas: Committee on the Judiciary. S. 2845. An act to extend the provisions of the National Motor Vehicle Theft Act to other stolen property; with amendment (Rept. No. 1462). Referred to the House Calendar.

Mr. SUMNERS of Texas: Committee on the Judiciary. H.R. 8912. A bill to amend section 35 of the Criminal Code of the United States; with amendment (Rept. No. 1463). Referred to the House Calendar.

Mr. SUMNERS of Texas: Committee on the Judiciary. H.R. 9370. A bill to authorize an appropriation of money to facilitate the apprehension of certain persons charged with crime; with amendment (Rept. No. 1464). Referred to the Committee of the Whole House on the state of the Union.

CHANGE OF REFERENCE

Under clause 2 of rule XXII, the Committee on Military Affairs was discharged from the consideration of the bill (H.R. 9419) for the relief of Joseph Edward Richards, and the same was referred to the Committee on Naval Affairs.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. DUFFEY: A bill (H.R. 9462) providing for an examination and survey with a view to the construction of a harbor at and near Marblehead, Ohio; to the Committee on Rivers and Harbors.

By Mr. HOWARD (by departmental request): A bill (H.R. 9463) to extend further the operation of an act of Congress approved January 26, 1933 (47 Stat. 776) entitled "An act relating to the deferment and adjustment of construction charges for the years 1931 and 1932 on Indian irrigation projects"; to the Committee on Indian Affairs.

By Mr. FITZPATRICK: A bill (H.R. 9464) providing for a preliminary examination and survey for widening and deepening the channel between Travers Island and Glen Island (Long Island Sound), N.Y.; to the Committee on Rivers and Harbors.

By Mr. SABATH: A bill (H.R. 9465) to authorize the Reconstruction Finance Corporation to make loans to public-school districts; to the Committee on Banking and Currency.

By Mr. OLIVER of New York (by request): A bill (H.R. 9466) to spur the manufacture and distribution of non-competitive new commodities by private industry, to coordinate existing facilities toward that end, and for other purposes; to the Committee on Ways and Means.

By Mr. BRUNNER: A bill (H.R. 9467) authorizing the coinage of a 3-cent nickel piece; to the Committee on Coinage, Weights, and Measures.

By Mr. DIMOND: A bill (H.R. 9468) to authorize the incorporated town of Seward, Alaska, to issue bonds in any sum not exceeding $60,000 for the purpose of constructing and installing a municipal light and power plant in the town of Seward, Alaska; to the Committee on the Territories.

By Mr. TRUAX: A bill (H.R. 9469) to provide revenue by taxation of mortgage-loan companies charging large interest rates; to the Committee on Ways and Means.

By Mr. RICH: A bill (H.R. 9470) to provide for the payment of gratuities to widows of deceased Members of Congress in an amount not exceeding $2,500 in any case; to the Committee on Expenditures in the Executive Departments.

By Mr. JONES: A bill (H.R. 9471) to amend the Grain Futures Act to prevent and remove obstructions and burdens upon interstate commerce in grains and other commodities by regulating transactions therein on commodity future exchanges, by providing means for limiting short selling and speculation in such commodities on such exchanges, by licensing commission merchants dealing in such commodities for future delivery on such exchanges, and for other purposes; to the Committee on Agriculture.

By Mr. ELLENBOGEN: A bill (H.R. 9472) to amend the postal savings law by providing that postal-savings deposits shall be exempted from taxation, now or hereafter imposed by any district, Territory, dependency, or possession

of the United States, or by any State, county, municipality, or local taxing municipal authority; to the Committee on the Post Office and Post Roads.

By Mr. LESINSKI: A bill (H.R. 9473) to amend section 9 of the National Industrial Recovery Act; to the Committee on Ways and Means.

By Mr. HILDEBRANDT: A bill (H.R. 9474) granting to the State of South Dakota for institutional purposes the property known and designated as the "Canton Asylum", located at Canton, S.Dak.; to the Committee on Indian Affairs.

By Mr. LANZETTA: A bill (H.R. 9475) to clarify the status of certain citizens who derived naturalization from parent or husband, and for other purposes; to the Committee on Immigration and Naturalization.

By Mr. SUMNERS of Texas: A bill (H.R. 9476) to empower certain members of the Division of Investigation of the Department of Justice to make arrests in certain cases, and for other purposes; to the Committee on the Judiciary.

By Mr. PEAVEY: A bill (H.R. 9477) granting certain property to the State of Wisconsin for institutional purposes; to the Committee on Indian Affairs.

By Mr. WILSON: A bill (H.R. 9478) to amend the act entitled "An act for the control of floods on the Mississippi River and its tributaries, and for other purposes", approved May 15, 1928, as amended; to the Committee on Flood Control.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Philippine Legislature, opposing the proposed tax on coconut oil; to the Committee on Ways and Means.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. DARDEN: A bill (H.R. 9479) for the relief of Aaron S. Fass; to the Committee on Military Affairs.

By Mr. DICKINSON: A bill (H.R. 9480) granting a pension to Irma Mendenhall; to the Committee on Invalid Pensions.

By Mr. GAMBRILL: A bill (H.R. 9481) for the relief of Elizabeth S. Duke; to the Committee on Claims.

By Mr. HAINES: A bill (H.R. 9482) granting a pension to Mary Jane McGaulghlin; to the Committee on Invalid Pensions.

By Mrs. NORTON: A bill (H.R. 9483) to dissolve the Ellen Wilson Memorial Homes; to the Committee on the District of Columbia.

By Mr. DOCKWEILER: A bill (H.R. 9484) for the relief of Clyde Smith; to the Committee on Military Affairs.

By Mr. REECE: A bill (H.R. 9485) granting a pension to James A. G. Livingston; to the Committee on Pensions.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4471. By Mr. BACON: Petition of the Bar Association of Nassau County (N.Y.), Inc., urging that the room now occupied by the United States Supreme Court, when vacated, shall be preserved and kept open to the public; to the Committee on Rules.

4472. By Mr. BOYLAN: Resolution adopted at a meeting held in the city of New York on April 30, 1934, by the American Society for the Protection of the Motion Picture Theater, as the organization for the independent talking motion-picture industry, that this society petition the Senate and House of Representatives of the United States that Senate Resolution 225 be passed and that this society cooperate with any committee to be appointed pursuant thereto; to the Committee on Interstate and Foreign Commerce.

4473. By Mr. CULLEN: Petition of the American Society for the Protection of the Motion Picture Theater, as the organization for the independent talking motion-picture industry, that this society petition the Congress of the United States that Senate Resolution 225, introduced in the Senate by Hon. CLARENCE C. DILL, be passed; to the Committee on Interstate and Foreign Commerce.

4474. By Mr. DIRKSEN: Petition of the citizens of Wenona, Marshall County, Ill., petitioning the Congress of the United States to initiate a constitutional amendment denying to the President and to the Congress the power to send an armed force in excess of 5,000 men into any foreign country for the purpose of waging war, unless authority shall have first been received from the American people, through the instrumentality of a referendum vote, taken in all 48 of the States, and taken in such manner as may be provided in such constitutional amendment or in any statute passed pursuant thereto; to the Committee on the Judiciary.

4475. By Mr. McKEOWN: Petition of International Association of Oil Field, Gas Well, and Refinery Workers of America, Bristow, Okla., Local No. 257, urging passage of Wagner-Connery disputes bill at this session of Congress; to the Committee on Labor.

4476. By Mr. MILLARD: Petition signed by residents of Westchester County, N.Y., urging the passage of the McLeod bill; to the Committee on Banking and Currency.

4477. By Mr. LINDSAY: Petition of the Constitutional Liberty League, Boston, Mass., opposing the Fletcher-Rayburn stock exchange bill; to the Committee on Interstate and Foreign Commerce.

4478. Also, petition of the North American Cement Corporation, New York City, urging revision of the Securities Act, and additional Federal appropriation for a second program of Public Works; to the Committee on Interstate and Foreign Commerce.

4479. Also, petition of the American Society for the Protection of the Motion Picture Theater, New York City, urging the passage of the Dill resolution (S.Res. 225); to the Committee on Interstate and Foreign Commerce.

4480. By Mr. ROMJUE: Petition of E. Godbold, general superintendent Missouri Baptist General Association, 1023 Grand Avenue, Kansas City, Mo., recommending legislation which would authorize the Reconstruction Finance Corporation to loan to both publicly and privately owned colleges, universities, and other institutions of higher learning, funds for refinancing their accumulated financial obligation; to the Committee on Banking and Currency.

4481. By Mr. SUTPHIN: Resolution adopted by New Jersey Ancient Order of Hibernians in America; to the Committee on Merchant Marine, Radio, and Fisheries.

4482. By Mr. THURSTON: Petition of various citizens of Decatur County, Iowa, protesting against the levying of a processing tax on beef cattle; to the Committee on Agriculture.

4483. By Mr. WERNER: Petition of citizens of Rapid City, Farmingdale, Caputa, Box Elder, Conata, Creston, Groshul and Piedmont, S.Dak., urging the passage of the Capper bill (S.3064) to amend the Packers and Stockyards Act; to the Committee on Agriculture.

4484. By the SPEAKER: Petition of the National Rivers and Harbors Congress, Washington, D.C., endorsing the river-and-harbor projects heretofore or hereafter approved by the Chief of Engineers of the United States Army, and sundry other river-and-harbor, flood-control, navigation, irrigation, and soil-erosion and water-conservation and power projects; to the Committee on Rivers and Harbors.

4485. Also, petition of the Catholic Ladies' Relief Society, Sacramento, Calif.; to the Committee on Merchant Marine, Radio, and Fisheries.

4486. Also, petition of the Orinoco Council, No. 39, Knights of Columbus, Greenwich, Conn.; to the Committee on Merchant Marine, Radio, and Fisheries.

4487. Also, petition of St. John the Baptist Roman Catholic Parish of New Haven, Conn., urging adoption of the amendment to section 301 of Senate bill 2910; to the Committee on Merchant Marine, Radio, and Fisheries.

4488. Also, petition of Mary Boeding, urging adoption of the amendment to section 301 of Senate bill 2910; to the Committee on Merchant Marine, Radio, and Fisheries.

4489. Also, petition of the Church of Our Lady of Good Council, New York City, urging adoption of the amendment to section 301 of Senate bill 2910; to the Committee on Merchant Marine, Radio, and Fisheries.

4490. Also, petition of the National Council of Catholic Women, Sacramento, Calif., urging adoption of the amendment to section 301 of Senate bill 2910; to the Committee on Merchant Marine, Radio, and Fisheries.

4491. Also, petition of Charles Forney, opposing House bill 8301; to the Committee on Interstate and Foreign Commerce.

SENATE

FRIDAY, MAY 4, 1934

(Legislative day of Thursday, Apr. 26, 1934)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On motion of Mr. ROBINSON of Arkansas, and by unanimous consent, the reading of the Journal for the calendar day Thursday, May 3, was dispensed with, and the Journal was approved.

MESSAGE FROM THE HOUSE—ENROLLED BILLS SIGNED

A message from the House of Representatives, by Mr. Haltigan, one of its clerks, announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

S. 2922. An act to amend the act entitled "An act to promote the circulation of reading matter among the blind", approved April 27, 1904, and acts supplemental thereto; and

H.R. 7835. An act to provide revenue, equalize taxation, and for other purposes.

CALL OF THE ROLL

Mr. ROBINSON of Arkansas. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Couzens	Kean	Reynolds
Ashurst	Cutting	Keyes	Robinson, Ark.
Bachman	Davis	King	Robinson, Ind.
Bankhead	Dickinson	Lewis	Russell
Barbour	Dieterich	Logan	Schall
Barkley	Dill	Lonergan	Sheppard
Black	Duffy	Long	Shipstead
Bone	Erickson	McGill	Smith
Borah	Fletcher	McKellar	Steiwer
Brown	Frazier	McNary	Stephens
Bulkley	George	Metcalf	Thomas, Okla.
Bulow	Gibson	Murphy	Thomas, Utah
Byrnes	Glass	Neely	Townsend
Capper	Goldsborough	Norbeck	Tydings
Caraway	Gore	Norris	Vandenberg
Carey	Hale	Nye	Van Nuys
Clark	Harrison	O'Mahoney	Wagner
Connally	Hatch	Overton	Walsh
Coolidge	Hayden	Patterson	Wheeler
Copeland	Hebert	Pittman	White
Costigan	Johnson	Pope	

Mr. NORRIS. I am requested to announce the senior Senator from Wisconsin [Mr. LA FOLLETTE] is unavoidably detained from the Chamber.

Mr. ROBINSON of Arkansas. I announce the absence of the Senator from California [Mr. MCADOO] because of illness, and the absence of the Senator from Florida [Mr. TRAMMELL], the Senator from Virginia [Mr. BYRD], the Senator from North Carolina [Mr. BAILEY], the Senator from Nevada [Mr. MCCARRAN], and the Senator from Nebraska [Mr. THOMPSON], who are necessarily detained from the Senate. I ask that this announcement may stand for the day.

Mr. MCNARY. I wish to announce that the Senator from Connecticut [Mr. WALCOTT] is absent because of a death in his family, and that the Senator from Ohio [Mr. FESS], the Senator from Delaware [Mr. HASTINGS], the Senator from West Virginia [Mr. HATFIELD], the Senator from Pennsylvania [Mr. REED], and the Senator from Vermont [Mr. AUSTIN] are necessarily absent from the Senate.

The VICE PRESIDENT. Eighty-three Senators have answered to their names. A quorum is present.

DEATH OF WILLIAM H. WOODIN

Mr. WAGNER. Mr. President, I am sure that we have all learned with very profound sorrow of the death of one of America's most distinguished and beloved sons, former Secretary of the Treasury William H. Woodin. I feel a deep personal loss in the passing of the man whose abilities I had occasion to admire and whose fine character was a true inspiration to all who knew him. He was a man of wide accomplishments, and his gracious manner brought him an even wider personal friendship. Industrialist, banker, and artist, he crowned his great career as Secretary of the Treasury during our greatest financial crisis. The energy and aptitude and untiring devotion which he brought to his huge task in the face of failing health was heroic and undoubtedly hastened his death. It can truly be said of him that he gave his life to his country, but not until after he had rendered inestimable public and patriotic service and created a multitude of friends who mourn their loss.

DISPOSITION OF USELESS PAPERS

The VICE PRESIDENT laid before the Senate a letter from the Comptroller General of the United States, reporting, pursuant to law, relative to papers and documents on the files of the General Accounting Office which are not needed in the transaction of public business and have no permanent value or historical interest, and asking for action looking toward their disposition, which, with the accompanying papers, was referred to a Joint Select Committee on the Disposition of Useless Papers in the Executive Departments.

The VICE PRESIDENT appointed Mr. GLASS and Mr. HALE members of the committee on the part of the Senate.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate a resolution adopted by the Common Council of the City of Ashland, Oreg., favoring the passage of legislation to include a certain tract of timberland in the United States National Forest in that vicinity for the purpose of affording fire protection to the watershed of the city of Ashland, Oreg., which was referred to the Committee on Agriculture and Forestry.

He also laid before the Senate a resolution adopted by the Board of Supervisors of the city and county of San Francisco, Calif., favoring the making of provision for the employment of local artists on Federal projects and under the Public Works Administration, etc., which was referred to the Committee on Education and Labor.

He also laid before the Senate a letter from the Commissioner of the Conservation Department of the State of New York, with an accompanying resolution adopted by the Legislature of New York, endorsing the report of the President's Committee on Wild Life Restoration, and favoring the adoption of such report as a basis for legislative and Executive action, which, with the accompanying paper, was referred to the Special Committee on Conservation of Wild Life Resources.

He also laid before the Senate a resolution adopted by members of Bethany Baptist Church, of Newark, N.J., favoring the passage of the so-called "Costigan-Wagner anti-lynching bill", which was ordered to lie on the table.

Mr. KEYES presented numerous petitions and papers in the nature of petitions of women's clubs and church, civic, and other organizations in the State of New Hampshire, and citizens of the State of Maine, praying for the prompt ratification of the World Court protocols at the present session of the Senate, which were referred to the Committee on Foreign Relations.

Mr. WALSH presented a resolution adopted by Frances Willard Chapter of the Woman's Christian Temperance Union, of Pittsfield, Mass., favoring the passage of House bill 6097, providing higher moral standards for films enter-